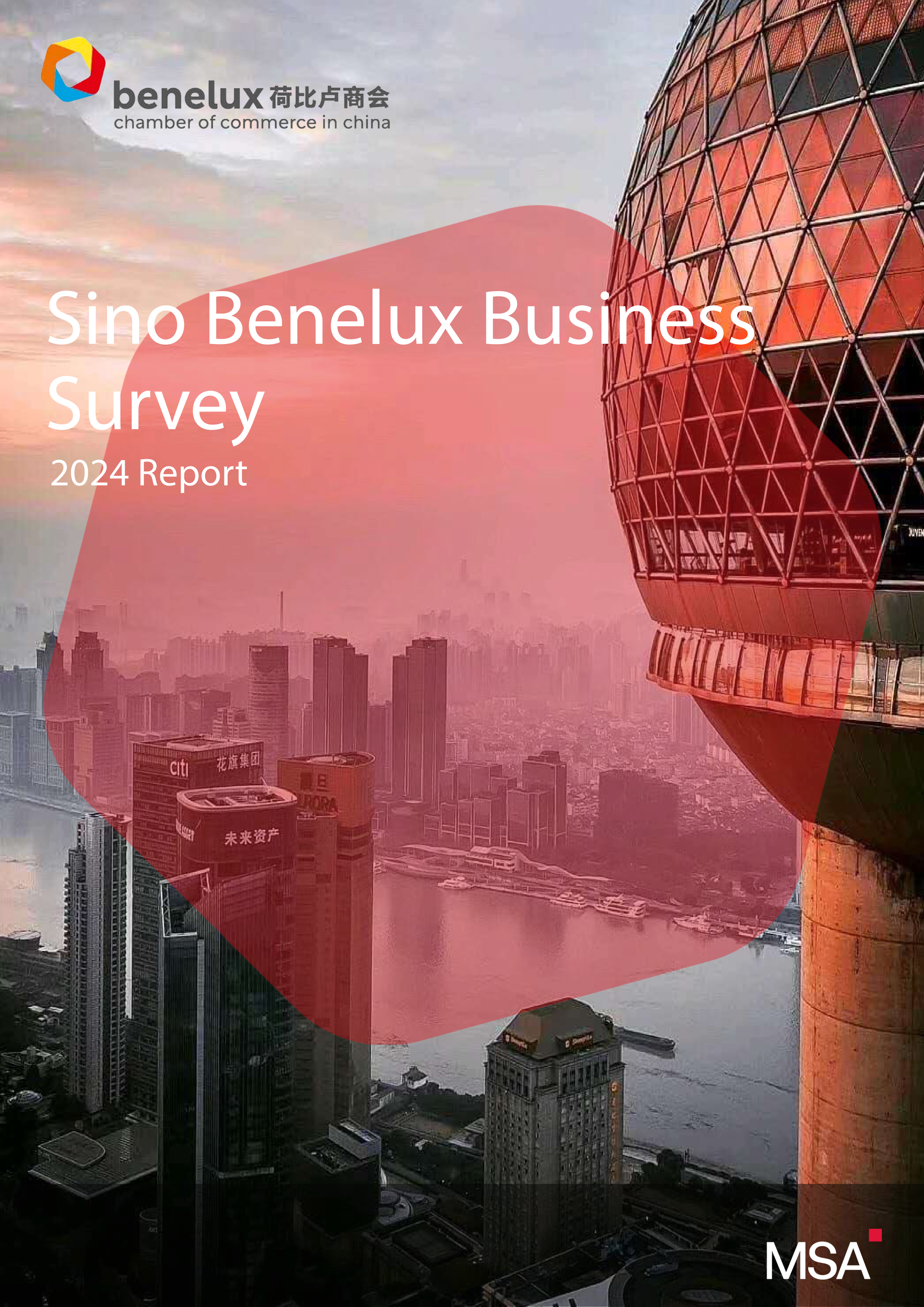
benelux 荷比卢商会
chamber of commerce in china

Sino Benelux Business Survey

2024 Report



MSA

The Benelux Chamber of Commerce is the Benelux business platform in China. Its members, leading companies from Belgium, the Netherlands and Luxembourg, share an active interest in developing trade and business in China. The Chamber of Commerce is officially recognised and supported by the Embassy of the Kingdom of Belgium, the Embassy of the Kingdom of the Netherlands and the Embassy of the Grand Duchy of Luxembourg in China.

Benelux Chamber has been growing at a steady pace since it was established in 2001. It currently contains 3 chapters; Beijing, Shanghai and Guangzhou (Pearl River Delta). It is the prime platform for the Benelux business community to get together.

Contents

An initiative by:

benelux 荷比卢商会
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with the support of:

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In collaboration with the official trade- and diplomatic representations of Belgium, The Netherlands and Luxembourg in China:

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Foreword MSA Asia

As we progress through 2024, businesses continue to face persistent market challenges, particularly in terms of revenue growth, which remains on a downward trend. While initial optimism followed China's reopening after COVID-19, the recovery has yet to meet expectations. Profit margins, though still declining, have fared somewhat better compared to revenue.

Amidst these challenges, there are bright spots. Technology and innovation have remained key drivers of growth, helping to offset some of the more pressing issues, such as reduced pricing power. Additionally, the difficulties tied to certain costs and import/export logistics have begun to ease, signaling some relief on that front.

Encouragingly, after several years of muted sentiment, business optimism picked up in 2023. Fewer Benelux companies, are considering relocating to other markets, as China remains essential for two-thirds of our respondents. However, despite this improved outlook, expectations for revenue growth and profitability for the upcoming year have become more cautious compared to previous periods, reflecting the ongoing uncertainty in the broader economic landscape.

Despite negative perception and performance in the past year, China is expected to remain a crucial market for Benelux businesses. Within the Benelux business community, we remain dedicated to navigating these complexities, using innovation to turn obstacles into opportunities and ensuring we remain resilient in the face of a shifting market.

Raoul P.E. Schweicher
Managing Partner
MSA Asia

Foreword Benelux Chamber of Commerce

As we come to the end of 2024, the landscape of global business continues to be reshaped by evolving geopolitical dynamics. Despite these forces, China remains an indispensable component in global value chains, particularly noted for its significant share in intermediate goods exports. While the reorientation of global trade underscores new realities, the prominence of China as a production hub and a critical market endures.

Recent trends reveal a strategic pivot by China in its foreign direct investment (FDI) approach. A notable decline in outbound FDI towards the United States and advanced European economies contrasts with increased investments in emerging markets. This transition positions China as a net capital exporter, marking a significant role reversal.

The data from our Benelux business survey reveals a cautiously optimistic sentiment within our community. Encouragingly, fewer companies are contemplating relocation, reaffirming China's significance for many of our members. However, expectations for revenue growth and profitability in the upcoming year remain tempered, reflecting the prevalent uncertainties.

In this challenging environment, the Benelux Chamber of Commerce remains steadfast in our commitment to navigating these intricacies. Leveraging technology and innovation, our members aim to transform obstacles into opportunities, ensuring resilience and adaptability in the face of a shifting market. As we continue to engage proactively with these dynamics, we reaffirm our dedication to the Benelux business community in China, empowering enterprises to thrive amidst global uncertainties and local challenges.

Thomas Knoop
General Manager
Benelux Chamber of Commerce | East China

Introduction

For the 9th consecutive year, the Sino-Benelux Business Survey has been a key initiative of the Benelux Chamber of Commerce and its three chapters across North, East, and South China. These regions benefit from the support of the official trade and diplomatic representatives of Belgium, the Netherlands, and Luxembourg in China. Published in partnership with MSA Asia, the survey is recognized as an essential resource for the Benelux business community.

The aim of the Sino-Benelux Business Survey is to offer valuable insights to Benelux companies – from entrepreneurs and start-ups to SMEs and multinationals – operating in the Chinese market. It also serves newcomers and stakeholders such as trade and investment associations, as well as governmental institutions, by providing comparative data on the business climate, sentiment, and emerging trends.

The report delivers a clear and in-depth analysis of the shared experiences, growth opportunities, and challenges that Benelux companies face across China. It includes extensive cross-comparisons spanning over five years, enabling us to draw meaningful conclusions.

In previous editions, the results were heavily influenced by the impact of the COVID-19 pandemic on China's economy and foreign business operations. This year's report offers a fresh perspective on how Benelux companies are navigating the post-pandemic landscape and their outlook on the future in China.

We believe this survey will provide readers with valuable insights into the Chinese business environment that Benelux companies operate in, helping to strengthen their market positions and overall success.

Methodology

The Sino Benelux Business Survey 2024, published in October 2024, continues its tradition as a vital resource for understanding the Benelux business community in China for the ninth consecutive year. This survey gathers insights and sentiments from Benelux companies operating within the Chinese market.

Conducted from May to July 2024, the survey received responses from over 100 companies.

The online questionnaire ensured complete anonymity and was a collaborative effort between the Benelux Chamber of Commerce—representing Belgium, the Netherlands, and Luxembourg in China—and the MSA network.

To gain a comprehensive view of the performance of Benelux companies in China, participants answered 28 qualitative and quantitative questions. The questions were designed to maintain consistency for comparison over time and were categorized into four key themes:

- Business Demographics
- Business Performance
- Business Sentiment
- Onward Expectations

The information presented in this publication was assembled by MSA.

Shanghai, October 2024.

Executive Summary

The 2024 Sino Benelux Business Survey was conducted between May and July 2024, gathering insights from a diverse group of Benelux companies operating in China. The majority of respondents hailed from the Netherlands (44.3%), Belgium (30.2%), and Luxembourg (3.8%), while a smaller portion had strong ties to management from the Benelux (21.7%). Notably, most companies were situated in economically strong regions such as Beijing, Shanghai, and the Greater Bay Area.

The survey encompassed a wide range of Benelux companies from various industries and revenue sizes, with the majority falling under the classification of small and medium-sized enterprises (SMEs). The three most common industries include industrial services, consumer services and financials, representing in total 50% of the respondents. The main significant strategic factor for Benelux companies operating in China is the domestic market size (significant for 57% of respondents), and for 68% of the respondents the Chinese operations are within the top 3 or a top priority of the group's global strategy.

As was to be expected considering the developments in 2023, we observe a strong increase of respondents reporting negative revenue growth. 39% of the respondents reported revenue shrinking and another 21% reported growth of below 5%. At the same time, the number of respondents reporting significant revenue growth of over 20% shrank from 16% to 8%. Despite this strong negative shift, still 79% of companies reported profits, a decrease of 6% compared to last year's survey. 67% of respondents even reported profit margin over 5%, indicating the strong resilience of Benelux companies in China.

In terms of positive drivers, respondents highlighted the importance of use of technology, increased process based efficiency and innovation/R&D. On the other hand, decreasing pricing power emerged as the main significant negative driver, followed by salary costs and unleveled playing field. Most notable is the decrease in significance of salary costs, ranked second after being the main negative driver for the first 5 years of the survey. Last year's leading negative factor, Material Costs, saw a significant drop to fifth place. The new top negative driver is Decreasing Pricing Power, which surged in significance.

In 2023, Benelux companies operating in China exhibited a more balanced and cautiously optimistic perception of the market compared to the previous year. Unfavorable perceptions declined to 21% from 27% in 2022, while somewhat unfavorable views also decreased, dropping to 18% from 30%. Neutral opinions saw a notable rise, increasing to 32% from 16%, and somewhat favorable views grew to 26% from 18%. However, the fully favorable category experienced a sharp decline, falling to 4% from 10% in 2022. These shifts suggest a more measured outlook, with companies moving away from both extremes and reflecting a cautious optimism. Despite the improvements, the marked decrease in fully favorable perceptions highlights lingering uncertainties about the Chinese market.

Looking ahead to 2024, companies hold more pessimistic expectations for revenue growth and profit margins compared to previous years, along with a more cautious outlook for their prospects over the next five years.

In conclusion, Benelux companies in China faced a challenging 2023, with a notable rise in reports of declining revenue growth and reduced optimism for future profitability. Despite these setbacks, a significant majority still reported profits, underscoring the resilience of these businesses. Positive drivers, such as technology adoption and process-based efficiencies, helped offset some of the negative pressures. However, new challenges emerged, including decreased pricing power and persistent salary costs, reshaping companies' priorities. Looking ahead, these firms adopt a more cautious outlook for 2024 and beyond, balancing optimism with an awareness of ongoing market uncertainties.

Key Facts

Survey Demographics

68%

Of respondents believe that their Chinese entity is either a top-3 priority or the top priority for their global strategy.

50%

Of respondents fall within these industries:

Industrial Services, Consumer Services, Financials

70%

Of respondents are located in main economic hubs

Business Performance

39%

Of respondents saw a decrease in revenue

80% of respondents generated profit

67% exceeded profit margins of 5%

Positive Drivers

Main positive drivers include:

Use of Technology & Increased Process-Based Efficiency

Negative Drivers

Main negative drivers include:

Decreasing Pricing Power & Salary costs

Business Sentiment

Most Restrictive Barrier

Level Playing Field & Tax and Compliance Requirements

24%

Of respondents considered leaving China

39%

Of respondents perceive the Chinese market as unfavorable

Onward Expectations

62%

Of companies expect generating revenue growth

79%

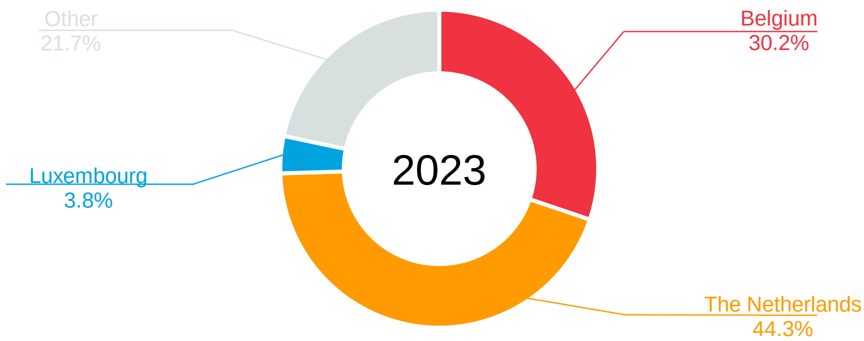
Expect to generate profit

35%

Intending to actively localize production lines in China

1 Demographics

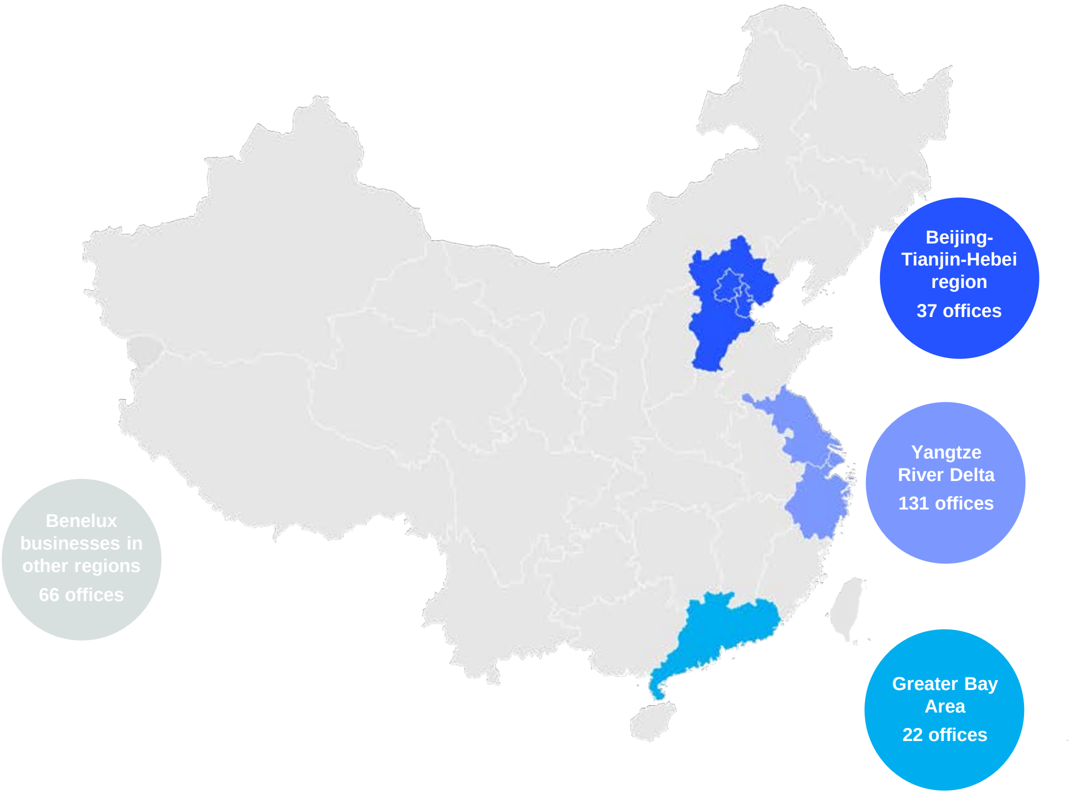
Parent Company Nationality
What is the nationality of the Parent Company or the Beneficial Owners?



The 2024 Sino Benelux Business Survey collected over 100 responses, continuing a tradition of insights since it first began nine years ago. The majority of respondents were Dutch (44.3%), Belgian (30.2%), and Luxembourgish (3.8%), collectively making up 78.3% of the total. The remaining 21.7% were classified as "Other," representing companies with strong business ties to the region or connections through Benelux executives.

Location of Benelux Companies in China

In which provinces of Mainland China do you have an office/entity?

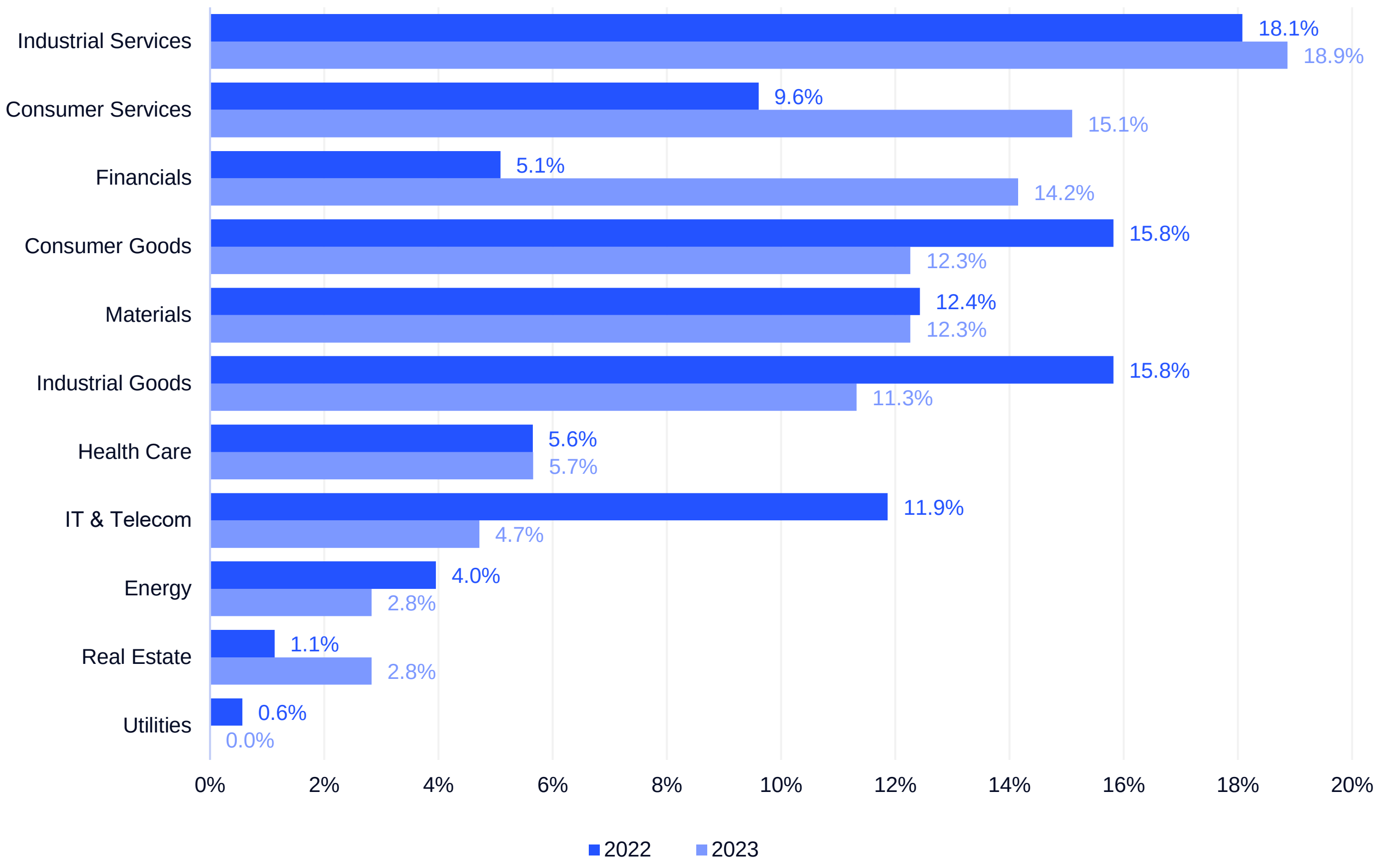


This analysis covers 258 offices or entities from Benelux companies, with over 70% situated in the three main economic hubs of China. The smallest concentration of these three economic hubs is in the Greater Bay Area of Guangdong province, where 22 offices represent 8.5% of the total. The Beijing-Tianjin-Hebei region accounts for 37 Benelux office locations, or 14.3% of the sample, with over three-quarters of these based in Beijing. The majority of the offices are located in the Yangtze River Delta (Shanghai, Zhejiang, Jiangsu), The largest hub for Benelux businesses in China, with 131 offices, representing 50.8% of the total presence in the country. Shanghai alone hosts 85.8% of the companies in that region. The remaining 68 offices are dispersed throughout China's inner provinces.

Note: Respondents were asked in which provinces of Mainland China they have an office. As a result, multiple provinces per respondent could be selected.

Industry sectors in which Benelux companies are active

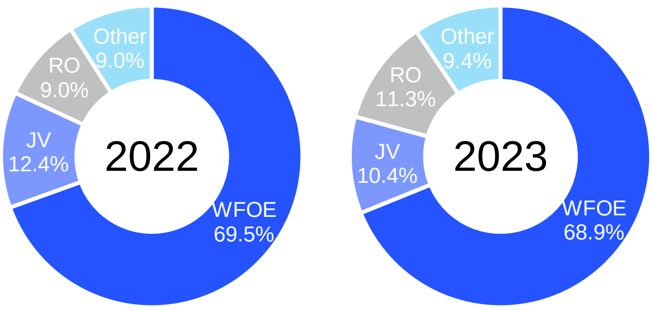
Business Classifcation/Sector



Benelux companies operate across a wide variety of industries. The three main industries - Industrial Services, Consumer Services and Financials - account for nearly 50% of the businesses and are evenly spread. We note the strongest increases in representation are from the Financials and Consumer Services, increasing by 9.1% and 5.5%. The IT & Telecom and Industrial Goods sectors saw the most significant declines, with IT & Telecom decreasing by 7.1% and Industrial Goods by 4.5%. This shift indicates a possible pivot toward services and financial industries as priorities within the Benelux market.

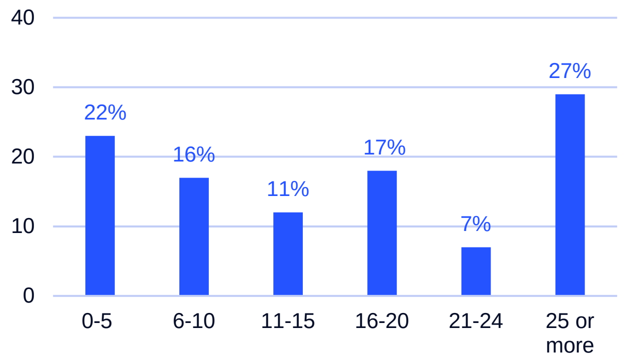
Entry modes in China

Company Structure in China



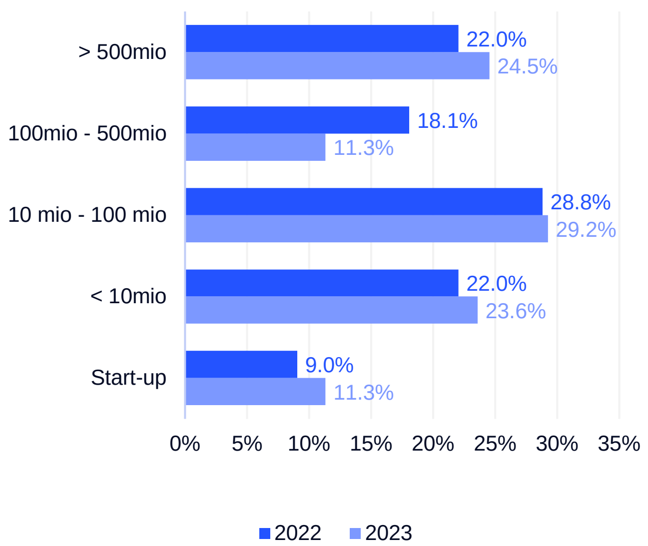
As in previous years, the most common entry mode for Benelux businesses in China has been the Wholly Foreign-Owned Entity (WFOE), representing 68.9% of companies. This highlights that foreign investors often view WFOEs as the most secure option, as it allows them to retain full control of their operations in China. Representative Offices (11.3%) are the second most popular entry mode, reflecting a 2.3% increase in adoption. The remaining respondents are evenly split between Joint Ventures (10.4%) and other business forms (9.4%).

Company years active in China
How many years has your company been active in China?



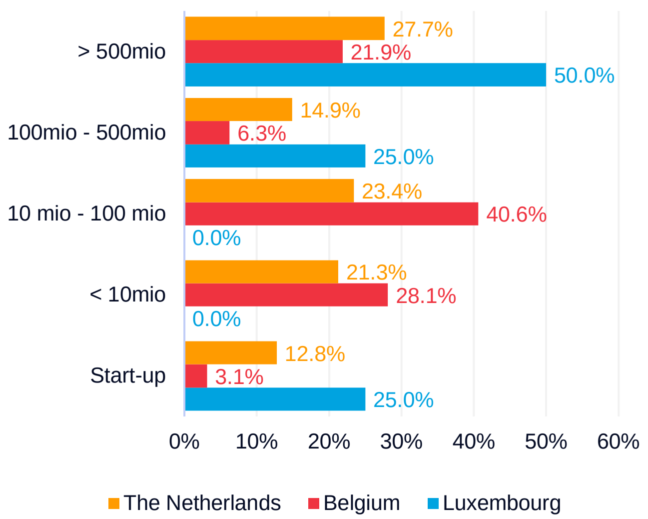
Compared to last year's survey, notable shifts are evident across several ranges. The 0-5 range saw an increase from 18% in 2022 to 22% in 2023, while the 25 or more category experienced a significant rise from 19% to 27%. Conversely, the middle ranges, particularly 11-15, dropped substantially from 18% to 11%, indicating fewer companies in this range. Slight decreases were also observed in the 6-10, 16-20, and 21-24 ranges, with 6-10 falling from 19% to 16% and 16-20 from 19% to 17%. Overall, the trend suggests a gradual shift, with more companies moving toward either the lower or higher ranges.

Company size in China (in RMB)
What is your company's revenue size in China?



The upward trend in the highest revenue category has continued steadily since 2020. There has also been a resurgence in the number of startups. The mid-range revenue category (10-100 million RMB) is showing signs of recovery after a decrease last year, now standing at 29.2%. Both the low- and mid-range categories are well-represented, making up over 64.2% of respondents. However, there is a 6,8% decrease in the 100-500 million RMB category, likely due to challenges some companies faced in the past year. Businesses that previously belonged to this category may have either performed exceptionally well and moved into the 500+ million RMB group or experienced revenue declines and shifted into the sub-100 million RMB range, leading to notable growth in both areas. Additionally, a slight industry shift may also explain this movement.

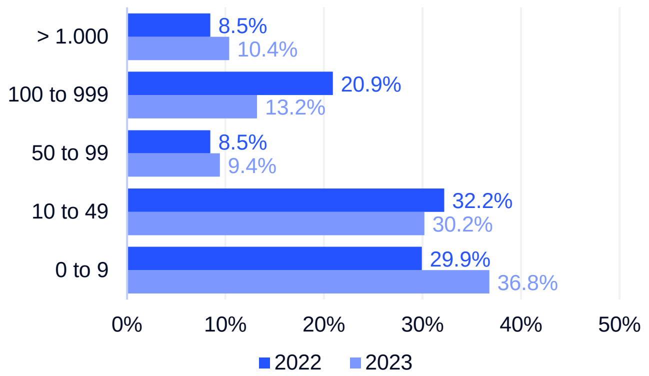
Size by Employees in China - by Country
What is your company's revenue size in China?



Luxembourg has a high concentration of companies in the top revenue brackets, with 75% of its businesses falling into the RMB 100-500 million and above RMB 500 million categories. In contrast, Belgian companies are more evenly distributed, with a strong presence in the mid-range revenue brackets, particularly in the RMB 10-100 million and below RMB 10 million categories. The Netherlands shows a balanced distribution across all revenue levels, with notable representation in both the start-up segment and the above RMB 500 million range.

Size by Employees in China

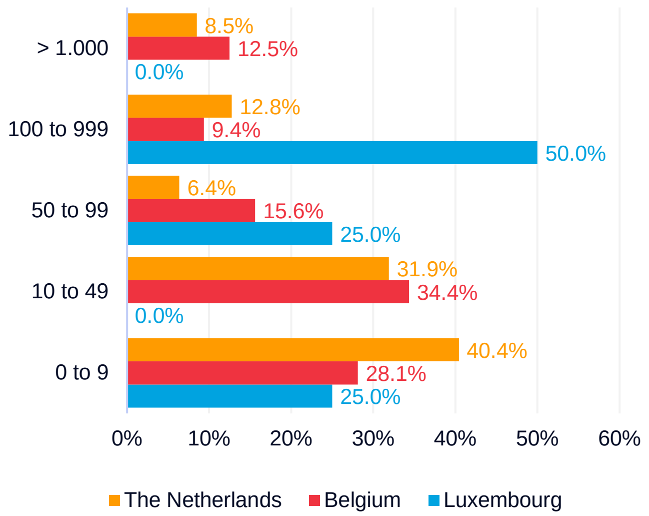
What is your company's employee count in China?



This year's survey reveals a decline in the representation of companies with 100 to 999 employees, likely due to downsizing among SMEs caused by broader economic challenges. The data indicates that 0 to 9 employee companies rose from 29.9% in 2022 to 36.8% in 2023, while those with 10 to 49 employees decreased from 32.2% to 30.2%. Meanwhile, the proportion of companies with 50 to 99 employees increased slightly from 8.5% to 9.4%, and those with 100 to 999 employees dropped significantly from 20.9% to 13.2%. The percentage of companies with over 1,000 employees rose from 8.5% to 10.4%. All in all, the graph shows that the majority of companies can be classified as SMEs.

Size by Employees in China - by Country

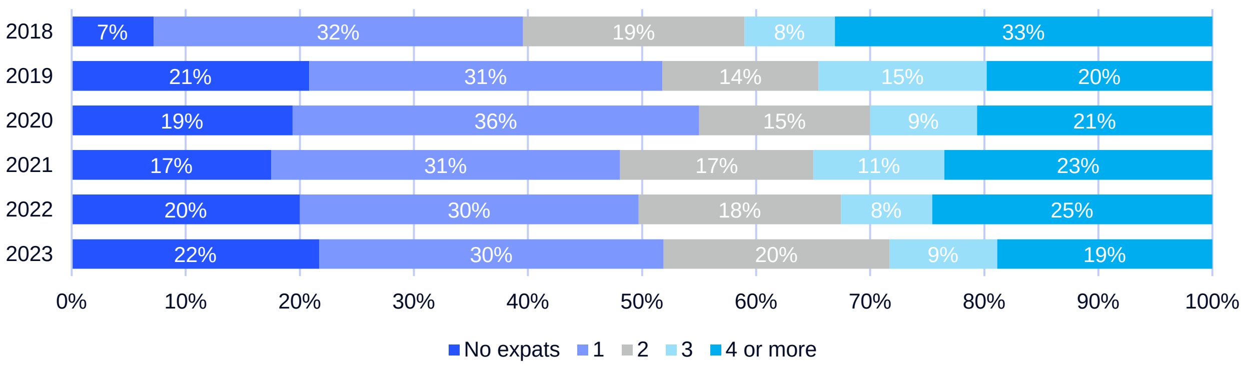
What is your company's employee count in China?



Dutch companies have the highest representation (40.4%) in the category of businesses with up to nine employees. For Belgian companies, the most represented group is those with 10-49 employees (34.4%), while Luxembourg's largest share is in the 100-999 employee category (50%). However, this high percentage for Luxembourg is likely influenced by the limited number of respondents from the country. The Netherlands saw a significant decline in the 100-999 employee category, dropping from 25.6% to 12.8%. Belgium experienced its biggest decline in the 10 - 49 employee category, decreasing from 42.6% to 34.4% this year.

Expat count per company in China

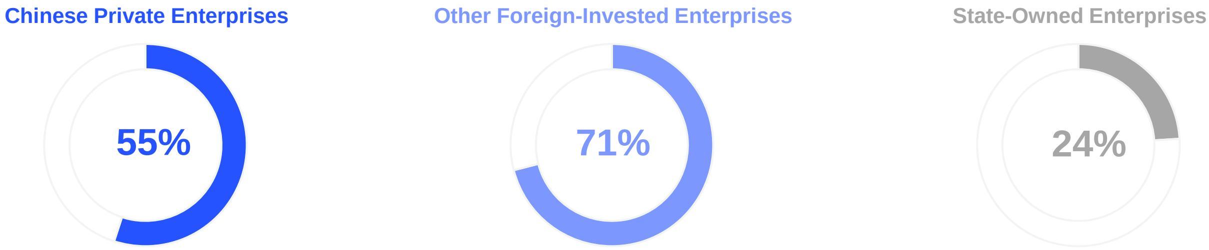
What is the expat(s) count in your company?



When analyzing the number of expatriates per company we can observe that the percentage of companies employing four or more expats has substantially decreased, from 25% in 2022 to 19% in 2023. However, there is a notable rise in the proportion of companies with no expatriates (20%), up from just 7% in 2018. This trend reflects the broader shift among foreign companies in China towards hiring local employees rather than sending expatriates to their subsidiaries.

Major Competitors

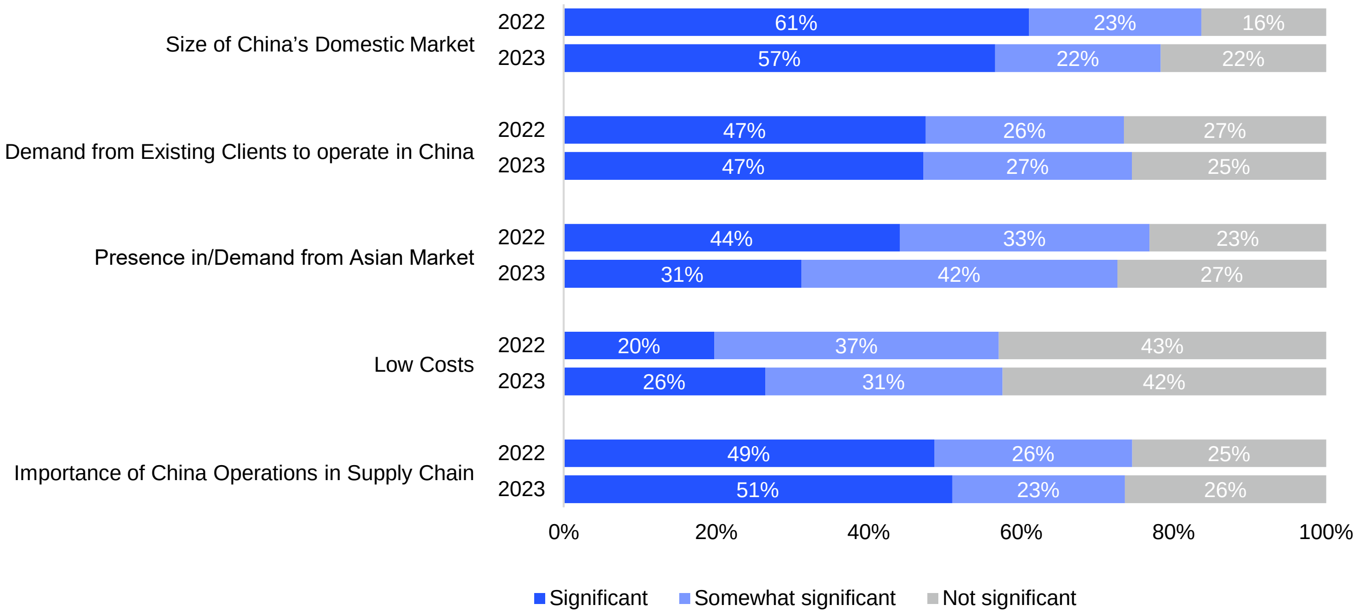
What are your main competitors in the Chinese market?



Over 70% of respondents identified the Foreign Invested Enterprises as their main competitors in the local market. Compared to the previous year, competition from Foreign Invested Enterprises has increased by 5%, while competition from Chinese Private Enterprises has decreased by 5%. This indicates a shift in the competitive landscape for Benelux companies, with heightened competition from other Foreign Invested Enterprises. State-Owned Enterprises are seen as primary competitors by 24% of companies, likely due to the complexities of operating in highly regulated industries in China.

Reasons for being active in China

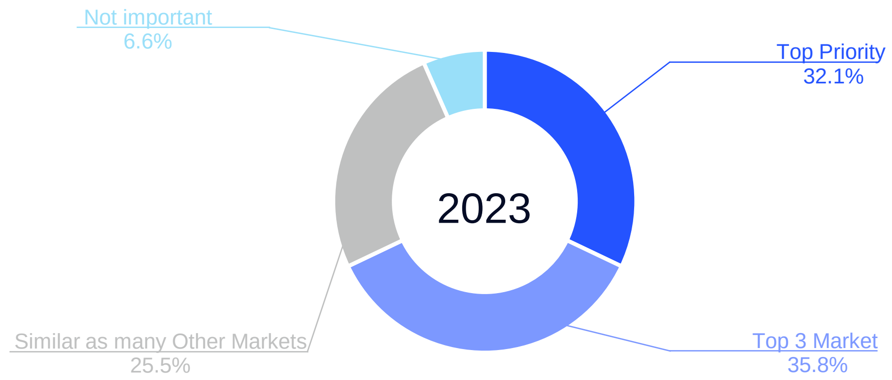
What are the strategic reasons to operate in China?



Market size remains the primary strategic driver for Benelux companies operating in China, with 57% of respondents highlighting it as a key factor due to the vast business and sales opportunities in the country and reinforcing its continued importance for operations in China. Companies active in Consumer services (75%), Materials (69%), and Consumer Goods (62%) sectors regard market size as the most critical factor. The importance of demand from existing clients (47%) did not experience any change compared to last year, and the role of China in global supply chains (51%) has increased slightly compared to last year. Additionally, 31% of respondents find a presence in the Asian market essential or see demand originating from there, a substantial decrease compared to the 44% from last year. Although low costs are not the primary motivation for companies to establish operations, their significance is rising. The percentage of respondents who view low cost as significant has increased from 20% to 26%, a surprising shift after years of declining importance. Key industries emphasizing low costs include Industrial Goods (58%), Information Technology (43%), and Real Estate (33%).

Importance in Group Strategy

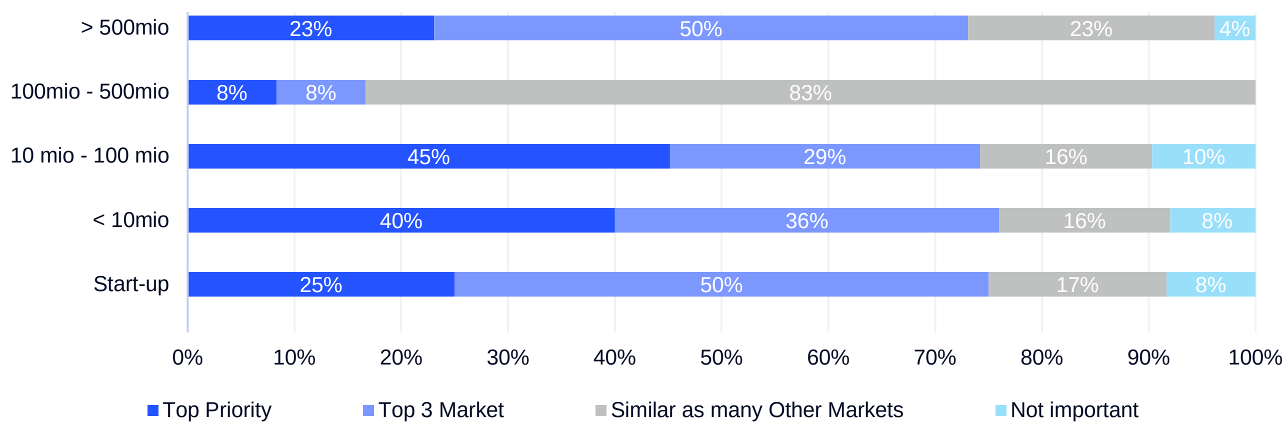
How important is your Chinese entity for your global strategy?



To emphasize the significance of the Chinese market, two-thirds of Benelux companies view China as crucial to their global strategy, with 35.8% ranking it among their top three markets and 32.1% considering it their top priority. This underscores the ongoing relevance of the Chinese market. Among Benelux countries, the smaller number of Luxembourgish companies operating in China view it as their top three markets in their group strategy. Meanwhile, Belgian and Dutch companies take a more balanced approach, either seeing China as comparable to other markets or placing it in their top three. By industry, Industrial Services overwhelmingly ranks China as a top priority or one of their top three markets (90%), while Health Care companies have also elevated their focus on China, with a 30% increase, bringing the total to 67% considering it a key market.

Importance in Group Strategy - by Revenue Size

How important is your Chinese entity for your global strategy?

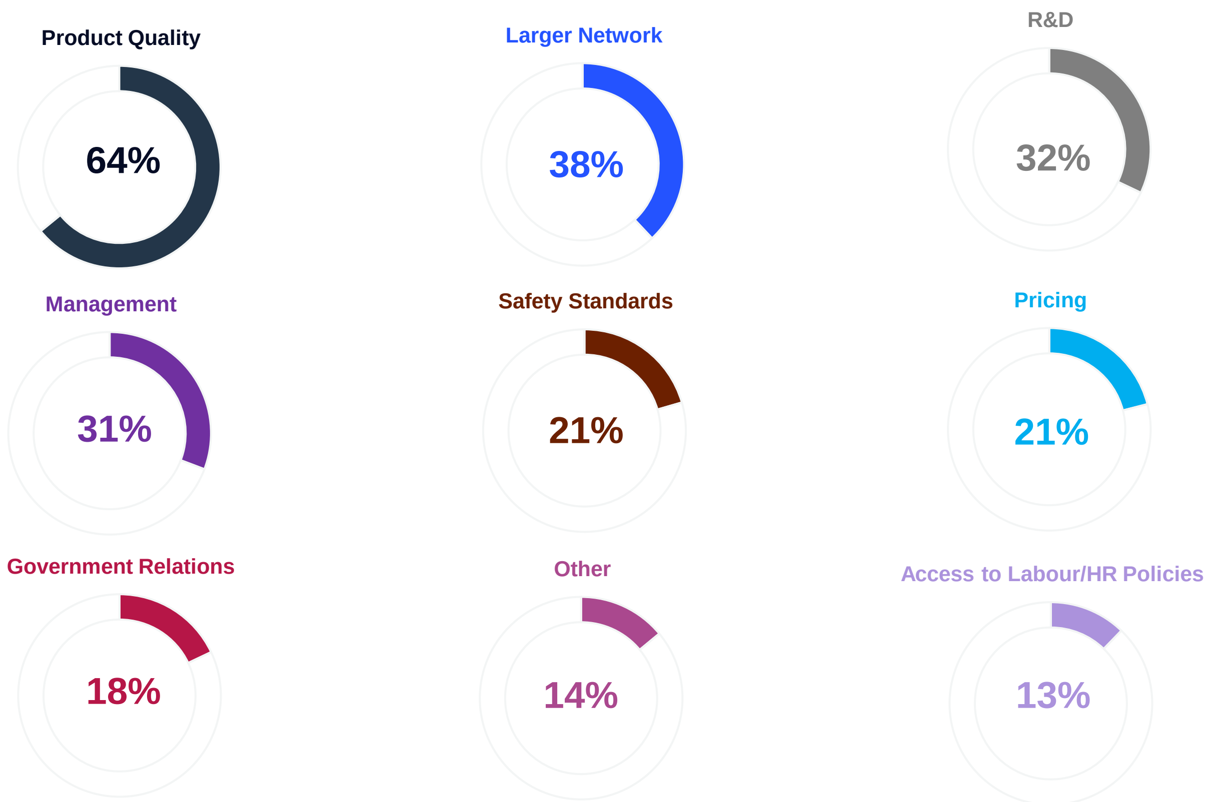


The data illustrates the varying strategic importance of the Chinese market across different company revenue sizes. Among start-ups, 25% consider China their top priority, while half (50%) rank it as a top 3 market. For companies with revenues under 10 million RMB, 40% regard China as their top priority, 36% rank it in their top 3, and 16% see it as comparable to other markets. Companies with revenues between 10 million and 100 million RMB show a similar pattern, with 45% identifying China as a top priority and 29% placing it in their top 3 markets. For the largest companies, with revenues exceeding 500 million RMB, 23% view China as their top priority, 50% place it among their top 3 markets, and 23% see it as comparable to other markets, with just 4% considering it unimportant. This suggests that smaller companies tend to place more strategic emphasis on China, while larger companies, especially within the 100 million – 500 million range are more likely to view it as one market among many.

2 Business Performance

Competitive Advantage

What makes you competitive in the Chinese market?

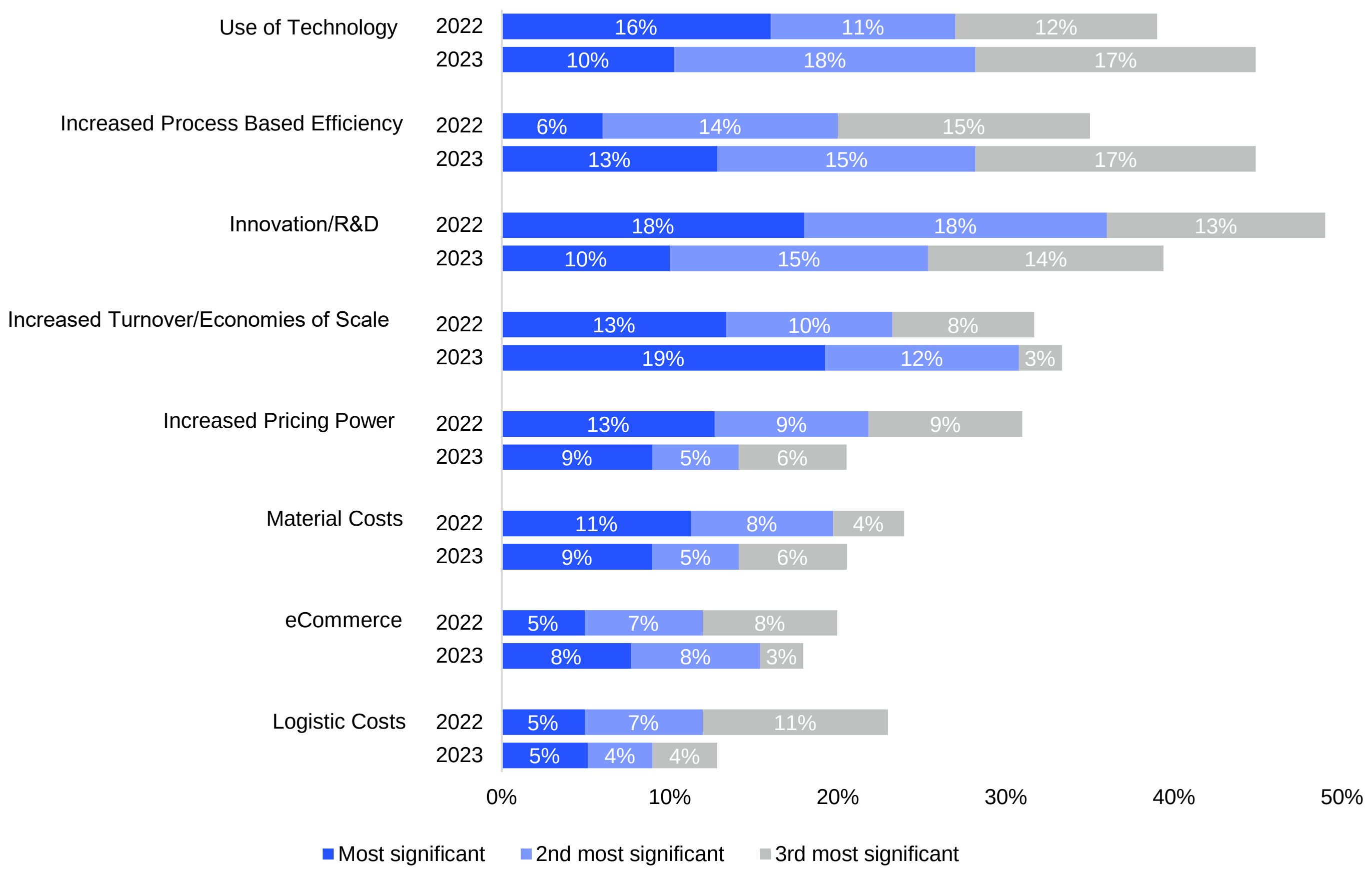


The top three competitive advantages for Benelux companies in the Chinese market this year are Product Quality (64%), Larger network (38%), and Management (35%). These are followed by Management (31%) and Safety Standards (21%). These results closely mirror last year's survey, with Larger Network and Pricing increasing by 12% and 6%, respectively, while R&D has seen a decline of 11%.

Across the Benelux countries, Product Quality is viewed as the most important competitive advantage by all nationalities. A Larger Network and Management also consistently rank in the top five for each nationality. Likewise, R&D is considered a vital sector in all three countries, crucial for innovation, competitiveness, and long-term growth across various industries.

Positive Drivers

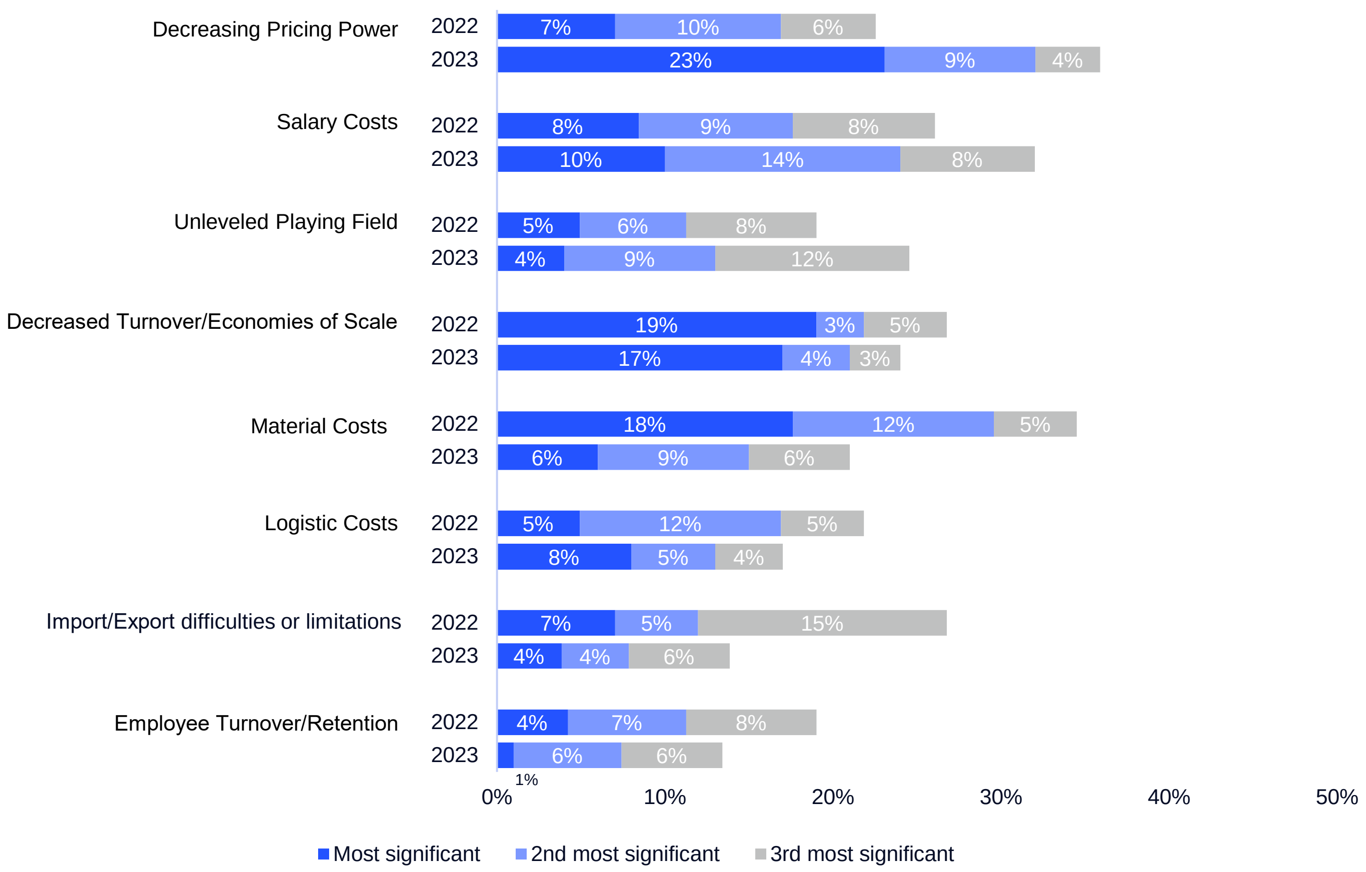
Most significant positive drivers for your company in the past year



In this year's Sino Benelux Business Survey, there has been a slight shift in the top three most significant positive drivers, with Increased Process Based Efficiency now taking the lead, followed closely by Use of Technology and Innovation/R&D. This shift underscores the continued reliance on both innovation and technology for success in the market. Notably, Increased Turnover/Economies of Scale remained in fourth place with an increase in significance. Moderate decreases were observed in the significance of Increased Pricing Power and Materials Costs, while eCommerce saw a small rise in importance as a positive growth driver. Similar to last year, Salary Costs are no longer a key positive driver for growth.

Negative Drivers

Most significant negative drivers for your company in the past year

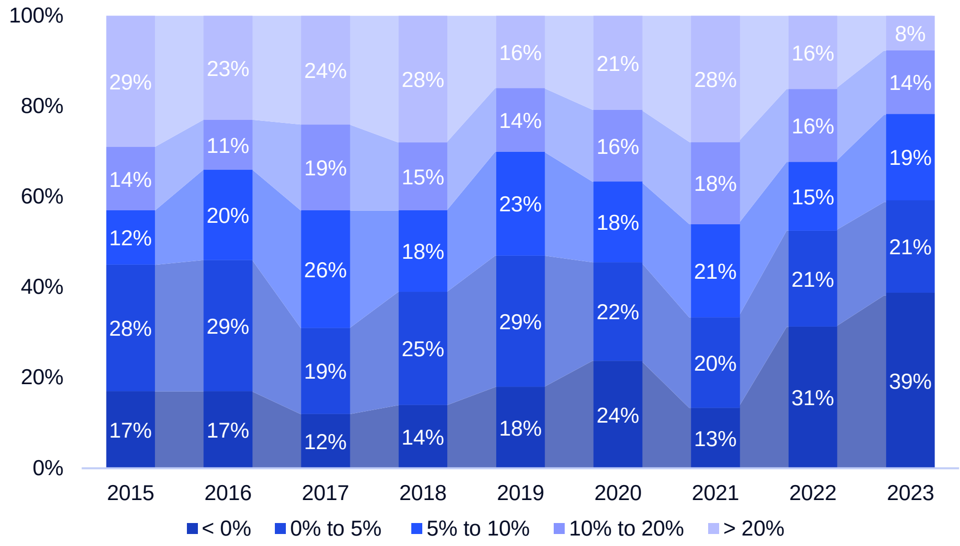


While the positive drivers remained relatively stable, there were notable shifts in the ranking and importance of negative drivers. Last year's leading negative factor, Material Costs, saw a significant drop to fifth place, with only 6% of respondents identifying it as the most significant negative driver for growth, down from 18% the previous year. The new top negative driver is Decreasing Pricing Power, which surged in significance. Salary Costs also saw a rise, emerging as the second most significant negative factor, up from its fourth-place position in the 2023 survey.

The importance of costs related to materials, logistics, import/export difficulties, and employee turnover has notably decreased, likely reflecting the diminishing impact of COVID-related challenges. Import/export issues, once a major concern, fell from third place last year to seventh this year. Similarly, employee retention and turnover, while maintaining its position, saw a drop in significance from 4% to just 1%. These shifts illustrate the evolving challenges Benelux companies face in the Chinese market as pandemic-related disruptions ease.

Revenue Growth

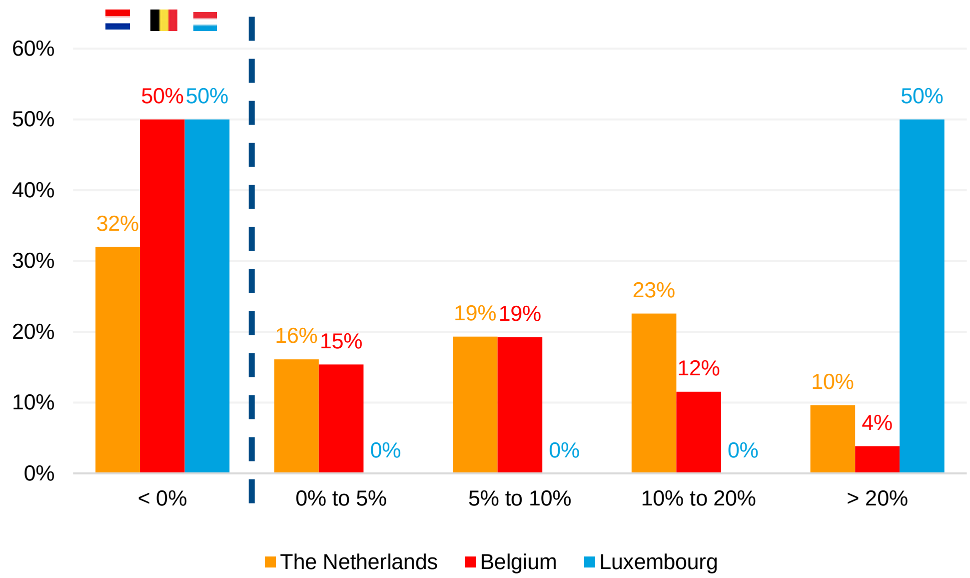
What was your company's revenue growth rate in the past year?



In 2023, Benelux businesses experienced their worst performance since the start of this survey in terms of revenue growth, with 39% of companies reporting shrinking revenues, marking an 8% increase from the previous year. The most noticeable shift was the sharp decrease in companies with exceptional performance, as the percentage of businesses reporting revenue growth of over 20% dropped from 16% to just 8%.

Revenue Growth – by Country

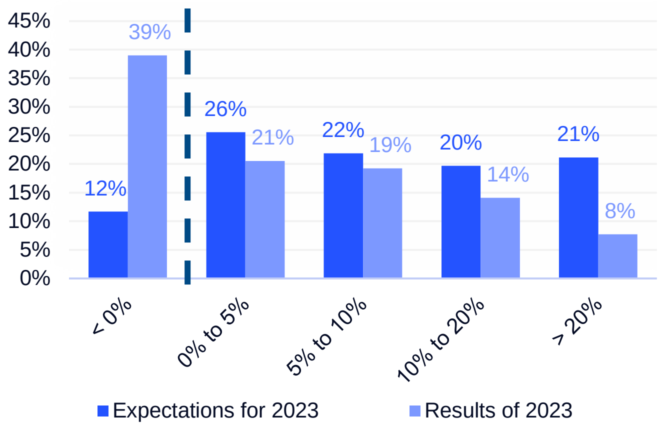
Revenue growth rate in 2023 in percentages



When analyzing the data by country, Belgian and Luxembourgish companies experienced the sharpest decline in revenue growth in 2023, with both reporting 50% negative growth. Dutch companies also faced challenges, with over 30% reporting negative revenue growth. In the 0%-5% and 5%-10% growth categories, Benelux companies were relatively evenly distributed. However, it's important to note that the small number of Luxembourgish respondents has skewed the overall representation of the country in this analysis.

Revenue Growth compared to expectations

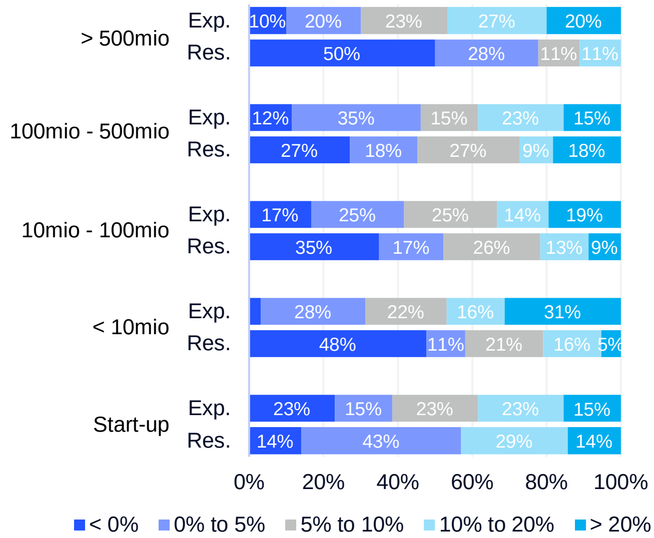
Revenue growth rate in 2023 in percentages



When comparing the projected revenue growth rates from last year's survey to the actual results in this year's edition, it becomes clear that Benelux businesses participating in the 2023 Business Survey had expected different growth rates. Twelve percent of respondents anticipated negative revenue growth, a big contrast with the 39% that was actually observed this year. The data highlights the unexpected challenges faced in 2023 by Benelux companies.

Revenue Growth – by Size

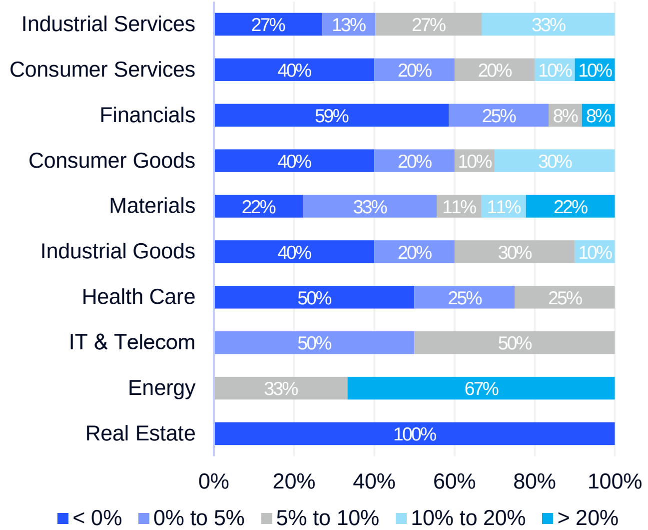
Revenue growth rate in 2023 in percentages



When analyzing revenue growth rates by company size, notable differences emerge. Nearly 45% of startups reported revenue growth between 0% and 5%, far exceeding the expected 15%. Similarly, the rate of negative growth among startups decreased by 9%. On the other hand, companies with revenues up to 100 million RMB experienced more negative growth than anticipated, with those earning less than 10 million RMB seeing 45% more negative growth than expected. Similarly, larger companies with revenues over 500 million RMB also performed worse than expected, with 50% of respondents reporting negative revenue growth, compared to the anticipated 10% growth.

Revenue Growth – per Sector

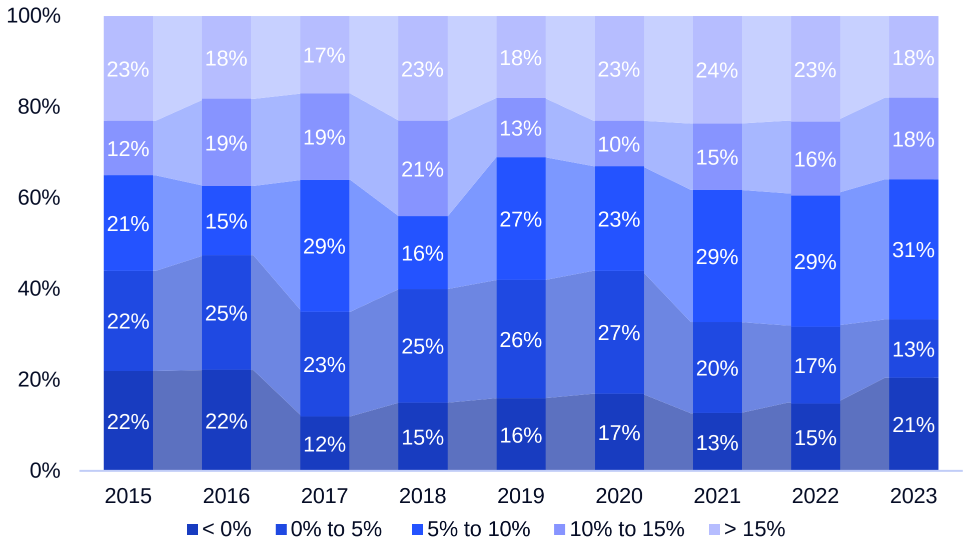
Revenue growth rate in 2023 in percentages



The 2024 Business Survey highlighted the Materials sector, where 33% of companies reported significant revenue growth of 10% or more, with 22% achieving growth of 20% or higher. In contrast, the Financials, Health Care, and Real Estate sectors faced the greatest challenges, with over 50% of respondents reporting negative revenue growth. The IT & Telecom and Industrial Goods sectors experienced moderate growth, typically between 5% and 10%. Notably, the Materials sector emerged as a clear standout, demonstrating exceptionally strong performance and marking a positive trend in the survey.

Profit Margin

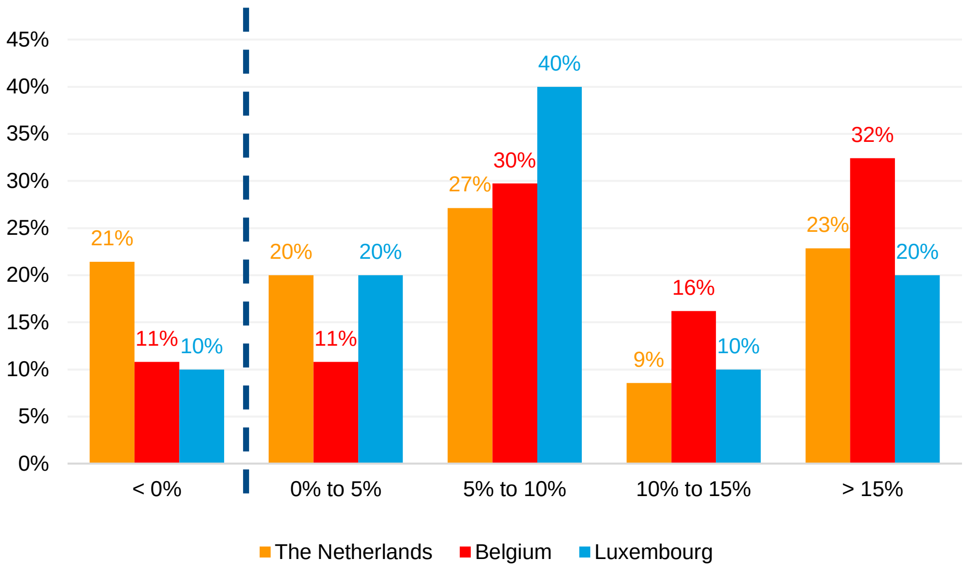
Profit as a percentage (%) of revenue in the past year



The trend of increasing negative profit margins, which began in 2021, has continued this year, with a 6% rise compared to last year. However, there is an encouraging side: nearly 80% of companies reported being profitable, with over 67% achieving profit margins of at least 5%. This is a particularly positive result given the numerous challenges faced in 2023, underscoring the resilience of Benelux companies operating in China.

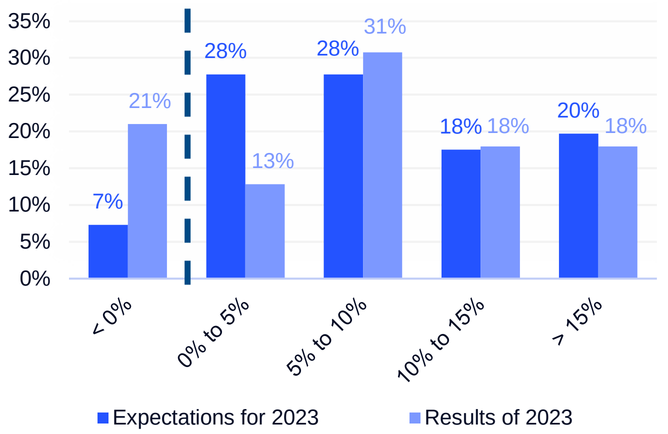
Profit Margin – per Country

Profit as a percentage (%) of revenue in 2023



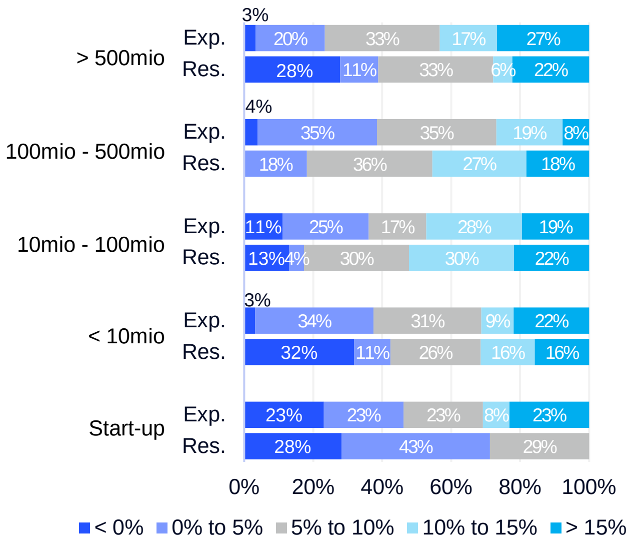
Similar to revenue growth trends, Dutch companies also faced challenges with negative profit margins, with 1 in 5 reporting losses. However, this represents only a slight increase of 2% compared to the previous year. In contrast, Belgian companies showed strong performance across all margin categories above 10%, with 32% reporting profit margins exceeding 15%. Luxembourgish companies also performed well, boasting a profitability rate of 90%, meaning only 10% did not achieve profits in 2022. Dutch companies, while trailing behind, performed relatively better in the 5%-10% margin category, with 27% reporting profits in this range, though still lower than their Belgian and Luxembourgish counterparts.

Profit Margin compared to expectations
Profit as a percentage (%) of revenue in 2023



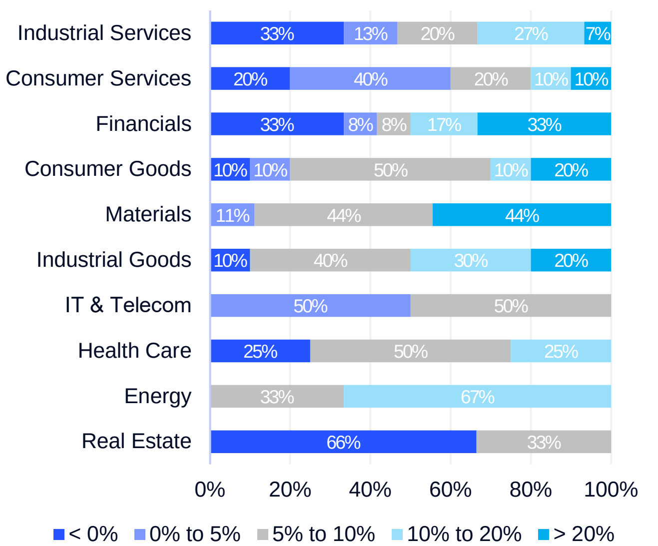
The 2023 results revealed significant deviations from expectations in terms of profit margins. Most notably, 21% of companies reported negative profit margins, far exceeding the forecasted 7%, indicating a larger-than-anticipated downturn in performance. Additionally, only 13% of businesses achieved margins between 0% and 5%, much lower than the expected 28%. On the positive side, 31% of companies saw profit margins between 5% and 10%, slightly surpassing expectations. The 10%-15% margin category performed as predicted, with 18% of companies in this range. Finally, the proportion of companies with profit margins exceeding 15% was slightly lower than expected, at 18% compared to the forecasted 20%.

Profit Margin – by Size
Profit as a percentage (%) of revenue in 2023



The data reveals notable differences in profit margins across company sizes. Start-ups and smaller companies (1-10 million RMB) underperformed significantly, with more reporting losses than expected and fewer achieving higher profit margins. Specifically, 28% of start-ups and 32% of small companies reported negative profit margins, well above forecasts. In contrast, mid-sized companies (10-100 million RMB and 100-500 million RMB) generally performed better, particularly in the 5%-15% profit margin range, exceeding expectations in most cases. Larger companies (over 500 million RMB) had mixed results, with 28% reporting losses, much higher than the 3% anticipated, though their performance in the 5%-10% profit margin category aligned with expectations. Overall, while mid-sized companies demonstrated resilience, smaller and larger companies faced more challenges than initially predicted.

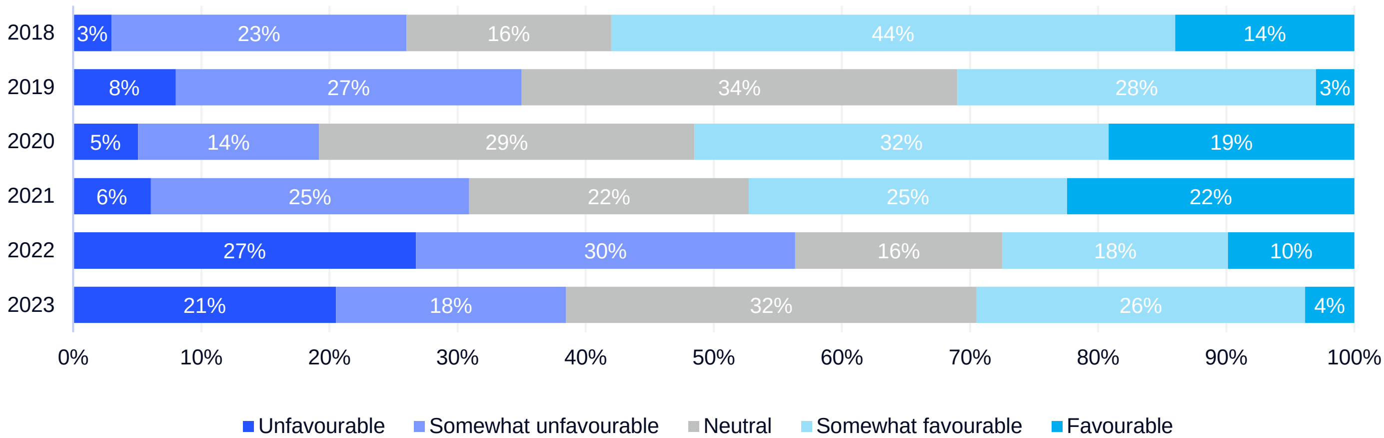
Profit Margin – per Sector
Profit as a percentage (%) of revenue in 2023



The profit margin data presents a mixed picture across various sectors. Industrial Goods, Consumer Goods, and Materials perform well, with a significant portion of companies reporting profit margins above 5%. Specifically, in the Industrial Goods sector, 40% of companies are within the 5% to 10% margin, while 30% are in the 10% to 20% range, and 20% see margins over 20%. Similarly, the Materials sector shows strong margins, with 44% of companies achieving over 20%. In Industrial Services, 33% of companies experience negative margins, though a smaller portion—27%—report margins between 10% and 20%. Overall, most sectors have a concentration of businesses achieving moderate profit margins (5% to 10%), but some sectors, such as Materials and Financials, also show high profit margins in significant numbers.

3 Business Sentiment

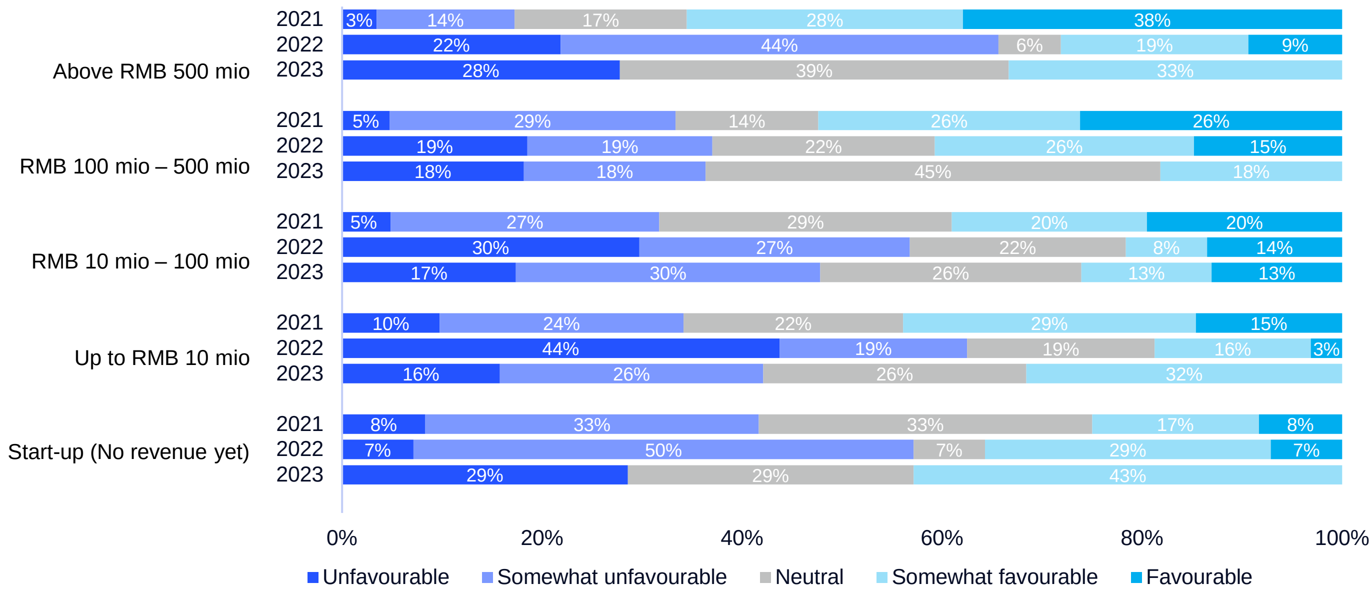
Perception of the Chinese market
How did you perceive the Chinese market in the past year?



In 2023, Benelux companies operating in China saw a noticeable shift in their perception of the Chinese market compared to their evaluation from the previous year. In 2023, 21% of respondents viewed conditions as unfavorable, which is a decrease compared to 27% in 2022. Somewhat unfavorable views also decreased to 18% in 2023 from 30% in 2022. Neutral opinions rose significantly in 2023 to 32%, up from 16% in 2022. Somewhat favorable perceptions also increased to 26% in 2023 compared to 18% the previous year. The favorable category saw a sharp decline in 2023, dropping to 4% from 10% in 2022. Benelux companies operating in China exhibited a more balanced perception of the market in 2023, with a decline in both unfavorable and somewhat unfavorable views compared to 2022. Neutral and somewhat favorable opinions increased, reflecting a more cautious optimism. However, the sharp drop in those viewing the market as fully favorable suggests lingering uncertainties despite the overall improved sentiment.

Perception of the Chinese market – by Size

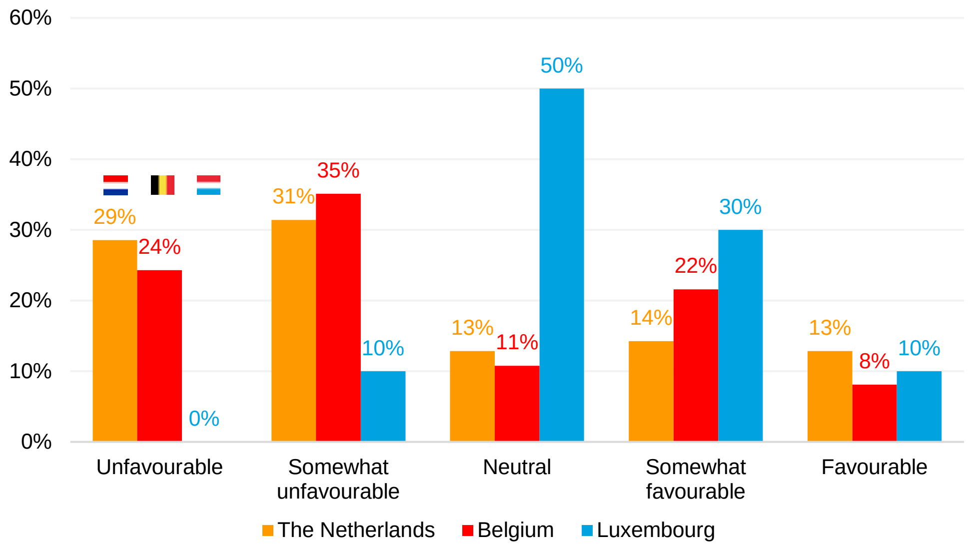
How did you perceive the Chinese market in the past year?



When examining business sentiment by company size, it becomes clear that Benelux companies across most revenue categories display mixed views towards the Chinese market. Favorable opinions have either declined or vanished completely, as seen in multiple categories where favorable views dropped to 0%. Furthermore, in 2023, business sentiment across several industries displayed a significant shift towards unfavorable perceptions compared to 2022. Most notably, among start-ups the unfavorable category rose from 7.1% in 2022 to 28.6% in 2023. Similarly, neutral sentiments gained prominence, particularly among companies within the 100 – 500 million revenue range, where neutral views increased from 22.2% in 2022 to 45.5% in 2023. While "somewhat favorable" sentiments remained steady or experienced minor changes, overall, the data highlights a growing trend of caution and negativity among businesses, with fewer companies expressing optimism about market conditions in 2023 compared to previous years.

Perception of the Chinese Market – by Country

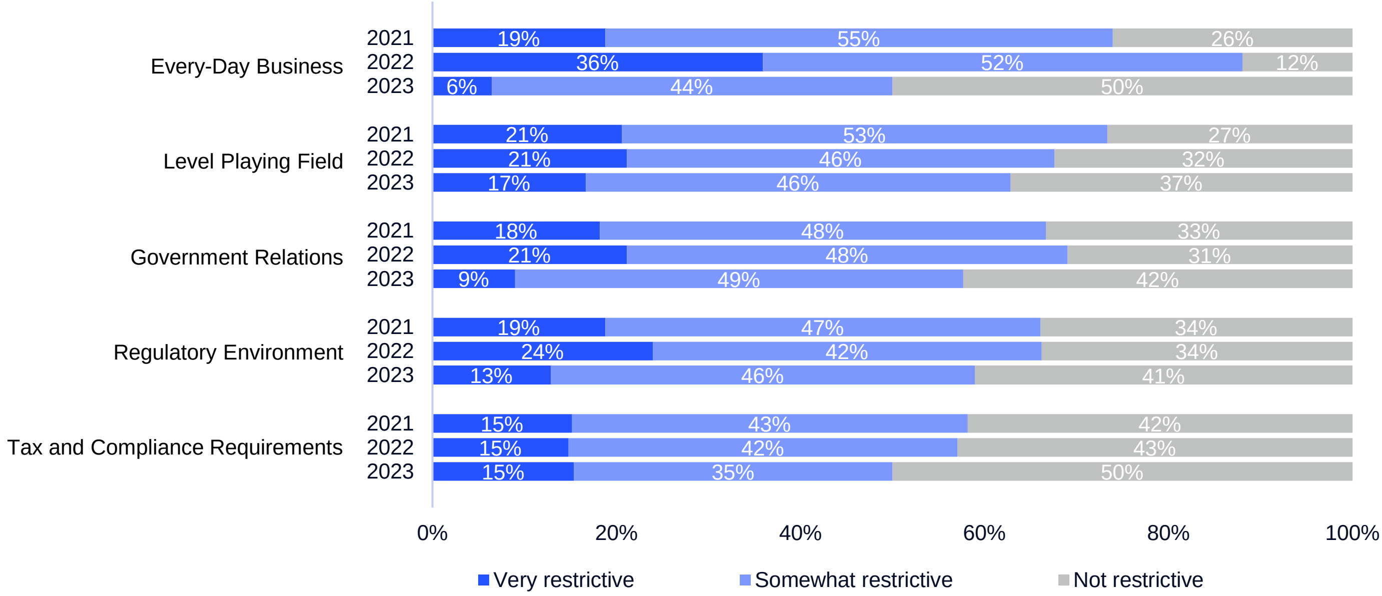
How did you perceive the Chinese market in the past year?



Belgian and Dutch companies exhibit a remarkably similar outlook on the Chinese market, as both have a combined share of 59% and 60% in the unfavorable category, respectively. Additionally, they share a combined favorability of 30% and 27% for the Chinese market. On the other hand, Luxembourgish companies do not share this pessimistic perspective, as they only have a 10% share in the somewhat unfavorable category and a neutral perception of 50% towards the Chinese market.

Restrictiveness of the Business Environment

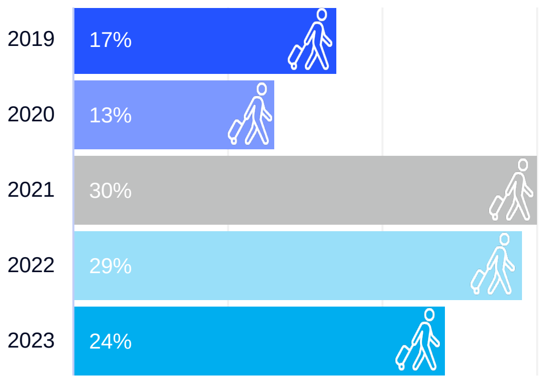
How restrictive did you perceive the following aspects in China in the past year:



In the current year, the proportion of respondents perceiving factors as not restrictive has increased across all categories compared to the previous year. Furthermore, the perception of factors as highly restrictive has either decreased or stayed the same in most categories. Moreover, in 2023, 50% of respondents view Tax and Compliance Requirements as non-restrictive, while around 15% consider them highly restrictive. When it comes to Every-Day Business there has been a notable decrease in highly restrictiveness, with the percentage dropping significantly to 4% in 2023. On the other hand, the level of restrictiveness for some categories like Government Relations, Regulatory Environment and Level Playing field showed minor variations, with the “Somewhat Restrictive” category remaining relatively unchanged across most areas, Overall, perceptions of restrictiveness in several key areas have shown a mix of stability and slight fluctuations over time.

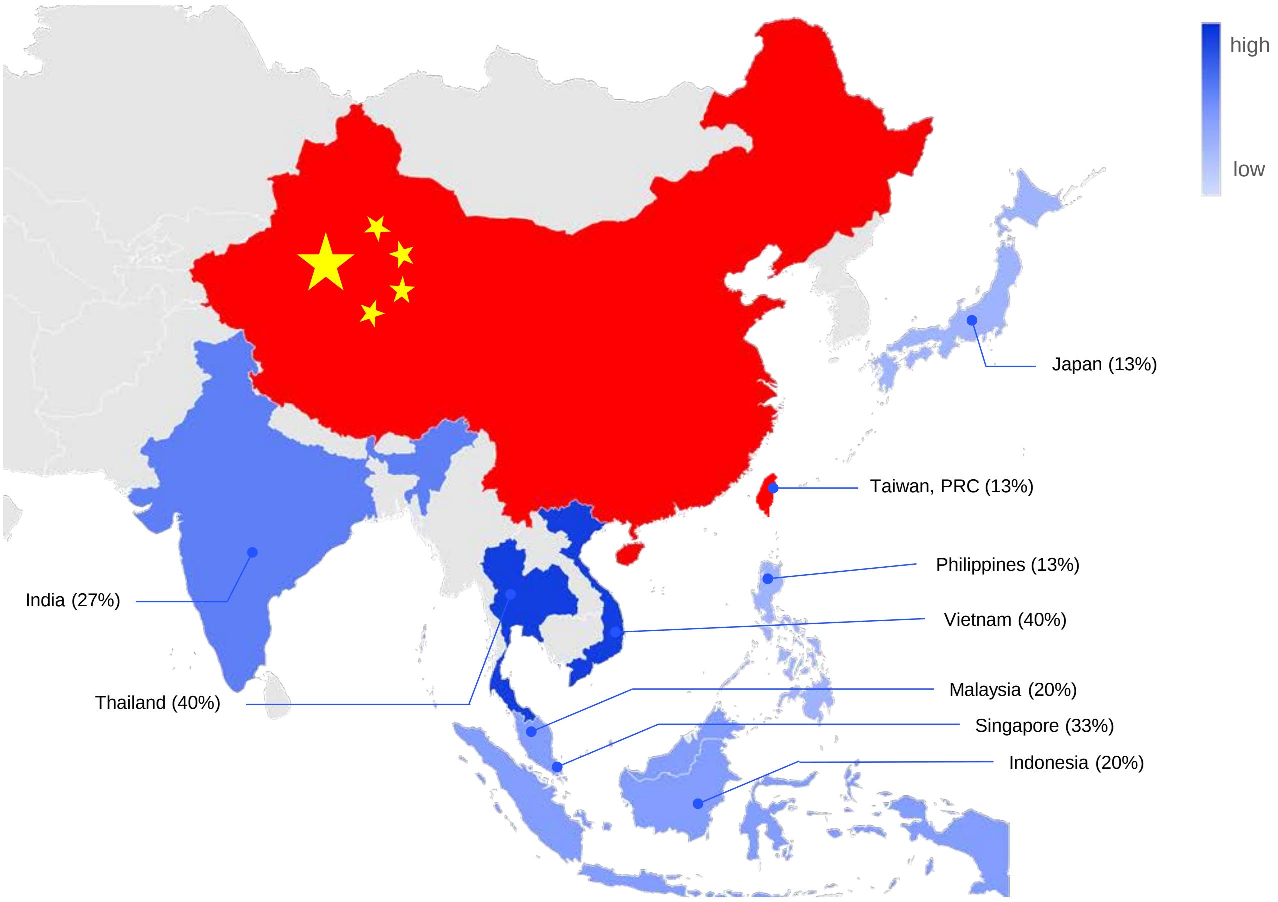
Companies considering leaving China

Would you consider / are you moving some of your Chinese activities to other Asian countries/regions?



After a steady decline since 2018, 2021 saw a sharp reversal, with a 17% rise in the number of companies actively considering or beginning to relocate their Chinese operations. While a considerable 24% of Benelux businesses are still contemplating relocation this year, there has been a slight 5% drop, offering some optimism that sentiment may shift by 2024. The key industries most likely to consider exiting the Chinese market are Consumer Goods (25%), IT & Telecom (50%), and Industrial goods (44%).

Destinations of companies leaving Mainland China
To what regions do you consider / are you moving some Chinese activities?

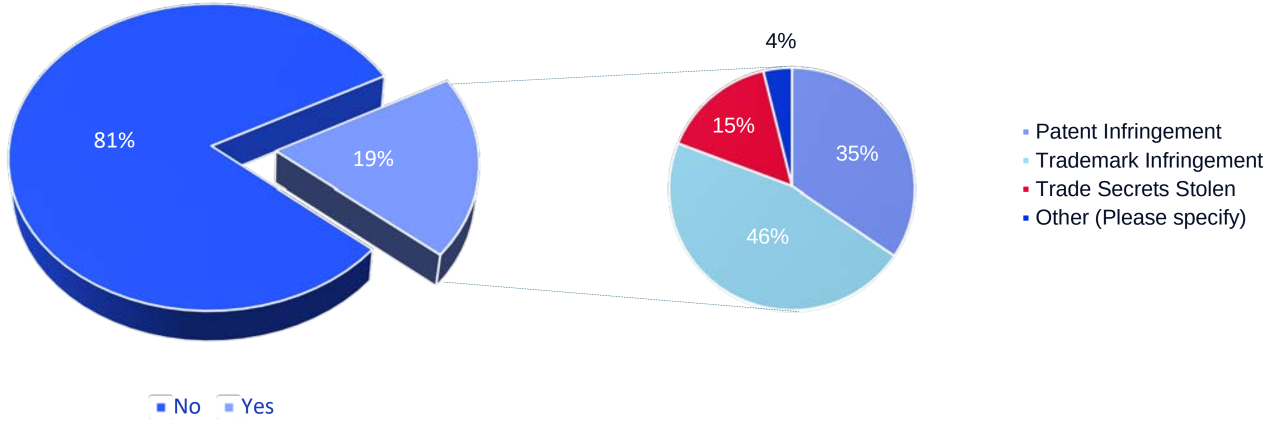


Note: Respondents were asked to what regions they consider/ plan to move. As a result, multiple regions per respondent could be selected.

Among Benelux businesses considering relocating from the Chinese market or shifting operations to other Asian regions, Vietnam is the top destination, together with Thailand. On the other hand, Malaysia experienced a substantial decline, dropping from 38% in 2022 to 20% in 2023—a decrease of 18%—which moved it down to fifth place after being the leader last year. India also saw a decline, falling from 34% to 27%.Additionally, there have been notable decreases in interest for the majority of countries, except Indonesia, Japan, Thailand and Vietnam.

Intellectual Property Challenges

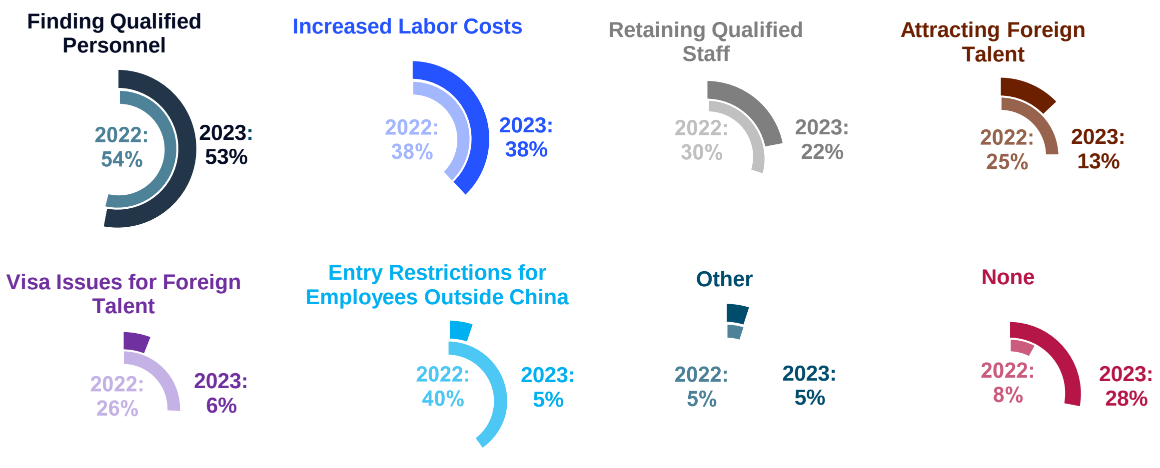
Have you encountered any of the following IP-issues in 2023?



The data reveals that a significant majority of respondents (81%) did not encounter any intellectual property (IP) issues in 2023, while 19% reported facing such challenges. Among those who experienced IP-related issues, trademark infringement was the most common problem, affecting 46% of impacted respondents. Patent infringement was also prevalent, with 35% of impacted respondents indicating this as an issue. Trade secret theft, though less frequent, still impacted 15% of the respondents. Additionally, 4% of the respondents faced other types of IP issues. This breakdown shows that trademark and patent infringements are the most common IP-related problems, collectively affecting over 80% of those who reported IP challenges. The data underscores the ongoing importance of trademark and patent protections for businesses, with a smaller yet significant concern around trade secret theft.

Perception of HR challenges in China

Did you experience any of the following challenges in the field of HR in 2023?

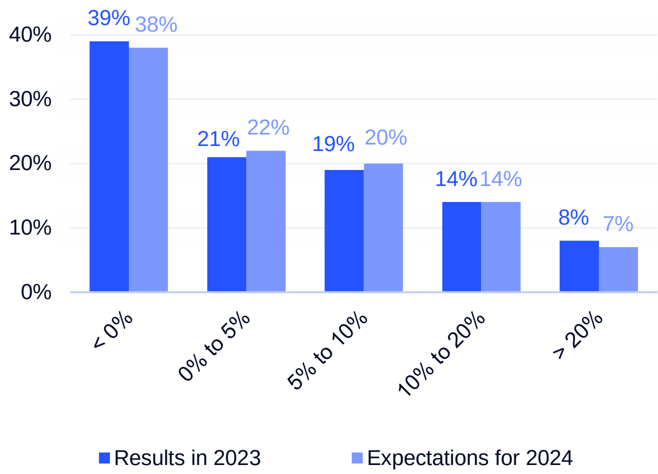


The data shows a general decline in the percentage of respondents facing challenges in 2023 compared to the previous year. This decrease was most notable in areas like entry restrictions for employees outside China, visa issues, and attracting foreign talent, likely due to the lifting of COVID restrictions and the country's reopening. These policy changes may have improved the business environment, making operations more efficient. Notably, the percentage of respondents reporting no HR-related challenges in China rose from 8% in 2022 to 28% in 2023, reflecting improved conditions or better HR management in 2023.

4 Onward Expectations

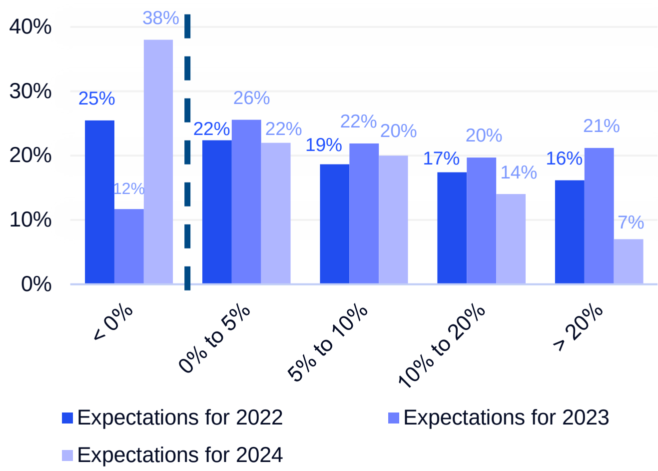
Revenue Growth Expectations
What is your company's expected revenue growth for 2024?

In 2023, 39% of respondents experienced a revenue growth of less than 0%, and a similar proportion, 38%, expect the same result for 2024. For those seeing results between 0% to 5%, 21% reported this range in 2023, while slightly more, 22%, expect this outcome in 2024. Results in the 10% to 20% range remain consistent, with 14% both in 2023 and expected for 2024. Lastly, 8% of respondents saw a performance above 20% in 2023, while only 7% expect to achieve this in 2024. Overall, the expectations for 2024 appear fairly stable when compared to 2023 results, with only minor changes across performance categories. Most respondents foresee similar or slightly improved performance for the next year, though expectations for outcomes greater than 20% show a slight decline.



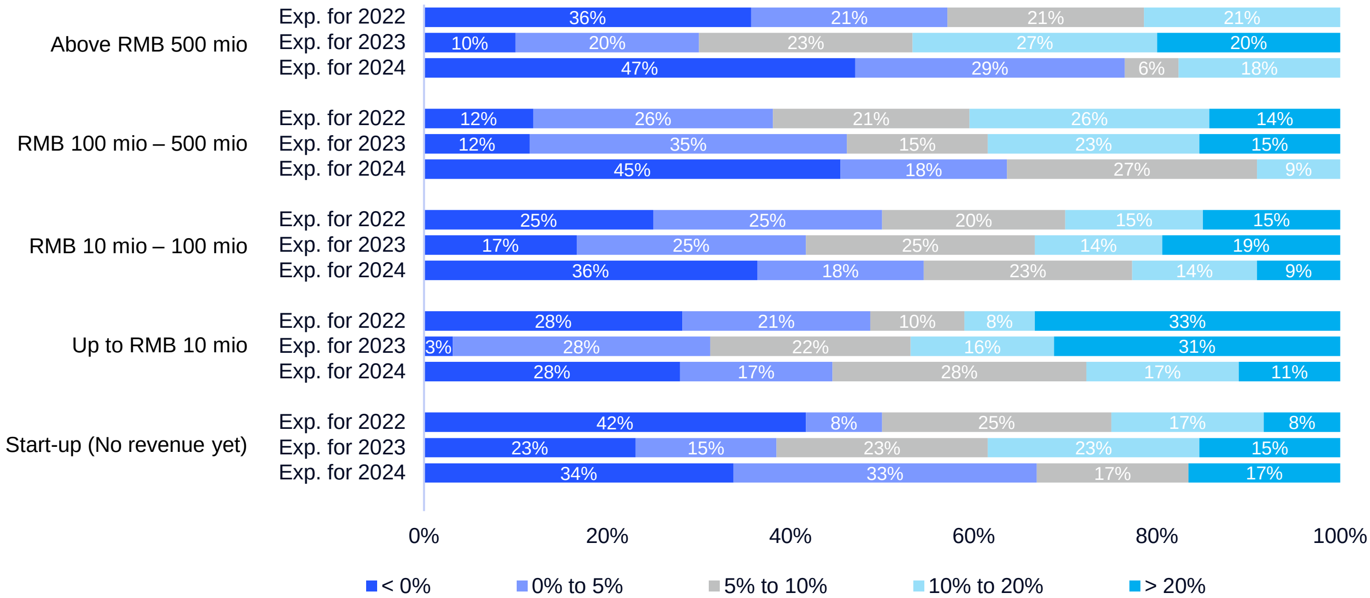
Revenue Growth Expectations over time
What is your company's expected revenue growth for this year?

The data shows a clear shift towards growing pessimism in expectations for 2024. While in 2022 and 2023, expectations of negative performance (<0%) decreased, they are projected to sharply rise to 38% in 2024, indicating increasing uncertainty. Meanwhile, modest growth expectations (0% to 5%) have remained relatively stable, hovering around 22-26% over the three years. Moderate growth expectations (5% to 10%) also show consistency but with a slight dip in 2024. Higher growth expectations (10% to 20%) increased between 2022 and 2023 but are expected to decline to 14% in 2024. Notably, expectations for very high growth (>20%) dropped significantly from 21% in 2023 to just 7% for 2024. This suggests a growing sentiment that future performance will likely be more challenging.



Revenue Growth Expectations – by Size

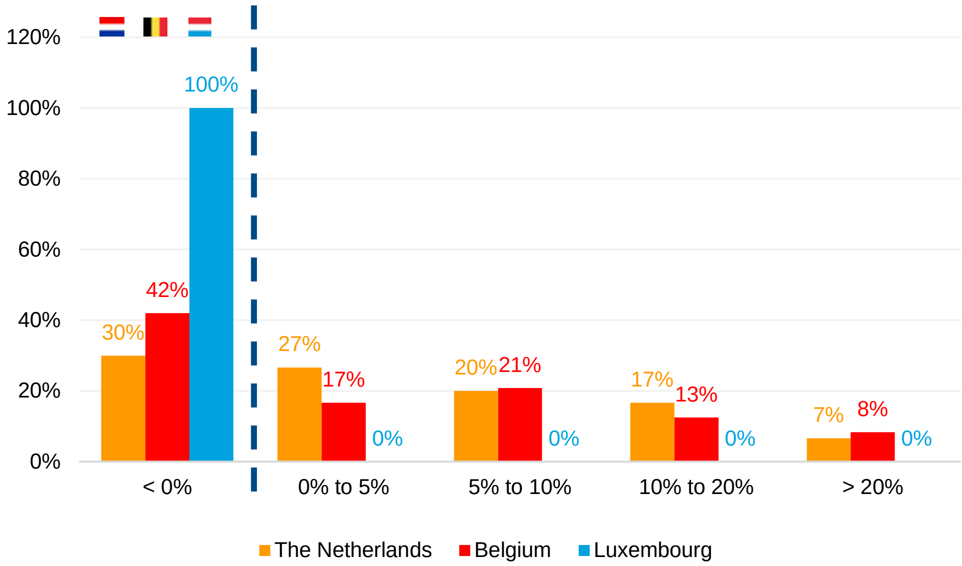
What is your company's expected revenue growth for this year?



Large companies with revenues exceeding 500 million RMB are projecting negative growth this year, marked by a 37% increase in negative revenue expectations and no companies anticipating high growth (>20%). Start-ups, which saw 23% expecting declining revenues last year, are facing an 11% rise in this figure. However, the percentage of start-ups predicting significant revenue growth has seen a modest 2% increase. The data highlights a concerning trend of increasing negative revenue expectations across companies of all sizes, with large companies and start-ups alike facing more pessimistic projections for the coming year. The overall outlook reflects caution, as high-growth expectations diminish and challenges in the market become more apparent.

Revenue Growth Expectations - by Country

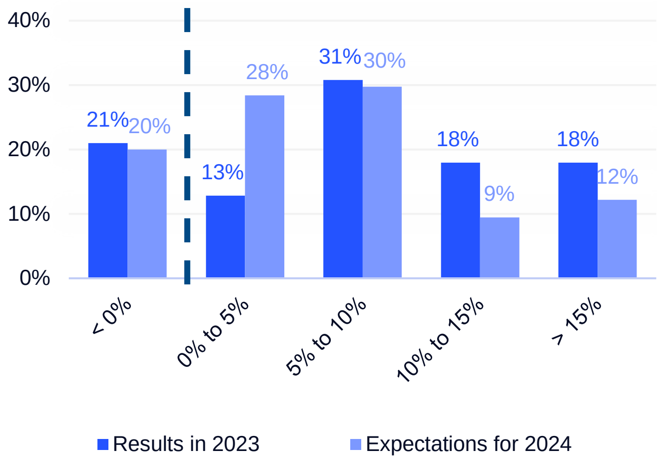
What is your company's expected revenue growth for 2024?



Revenue growth expectations for The Netherlands, Belgium, and Luxembourg reveal regional concerns. Luxembourg stands out, with 100% of respondents expecting negative growth (<0%), indicating significant business challenges. In comparison, 30% of respondents in The Netherlands and 42% in Belgium foresee declines, though not as extreme. A relatively high 27% of Dutch companies expect 0% to 5% growth, compared to 17% in Belgium. Expectations for significant growth are minimal across all three countries, with only 7% in The Netherlands and 8% in Belgium anticipating growth above 20%. Overall, the data reflects caution, especially in Luxembourg, suggesting broader economic concerns.

Profit Expectations

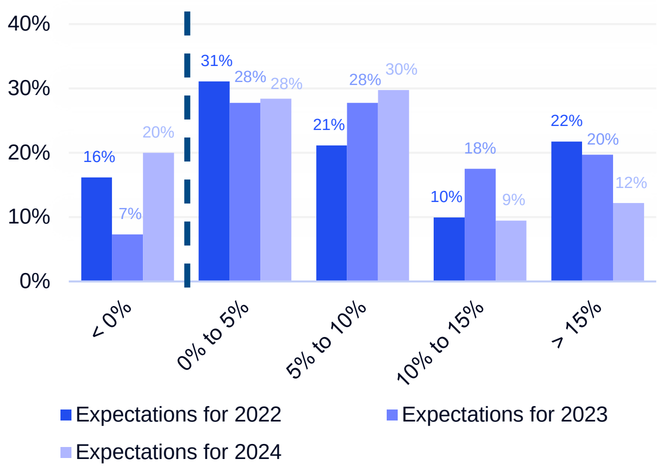
What is your company's expected profit margin for 2024?



Profit margin expectations for 2024 indicate a slightly more optimistic outlook compared to 2023. Negative margins are expected to decrease by 1% for Benelux companies, lowering the figure to 20%. Among respondents, 28% foresee achieving profit margins within the break-even range of 0% to 5%, reflecting a notable increase of 15%. Conversely, the 10% to 15% category shows a significant decline of 9%, while the brackets for 5% to 10% and over 15% also experience slight decreases of 1% and 6%, respectively. T his trend suggests a shift toward more moderate profit margins or break-even expectations. Although the anticipated reduction in losses is encouraging, the lack of projections for higher profit margins indicates that Benelux companies remain cautious and expect continued challenges in the near future.

Profit Expectations over time

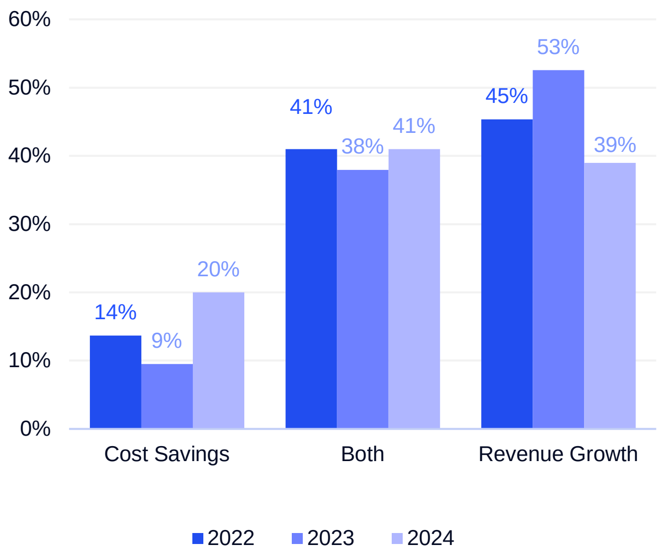
What is your company's expected profit margin for this year?



The profit margin expectations for Benelux companies reveal a mixed outlook for 2024. Notably, the percentage of respondents anticipating negative margins (< 0%) decreased from 16% in 2022 to 7% in 2023, but this figure rose sharply to 20% in 2024, indicating a potential regression in confidence. Expectations for low positive margins (0% to 5%) remain stable at 28%, while moderate profit margins (5% to 10%) show a positive trend, increasing from 21% in 2022 to 30% in 2024. However, the projections for higher profit margins decline, with only 9% expecting margins between 10% to 15% and 12% over 15%. This suggests that, while there is some optimism for moderate profitability, challenges persist, and overall confidence in achieving significant profit margins appears to be waning for 2024.

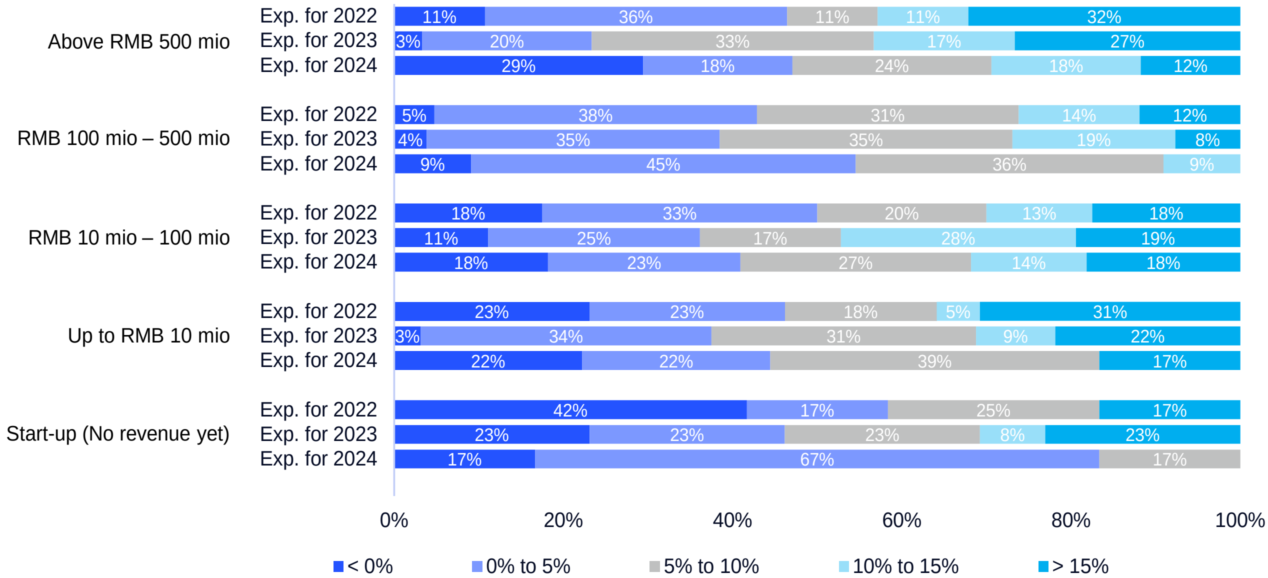
Driver of profitability

Profitability this year will be driven more by:



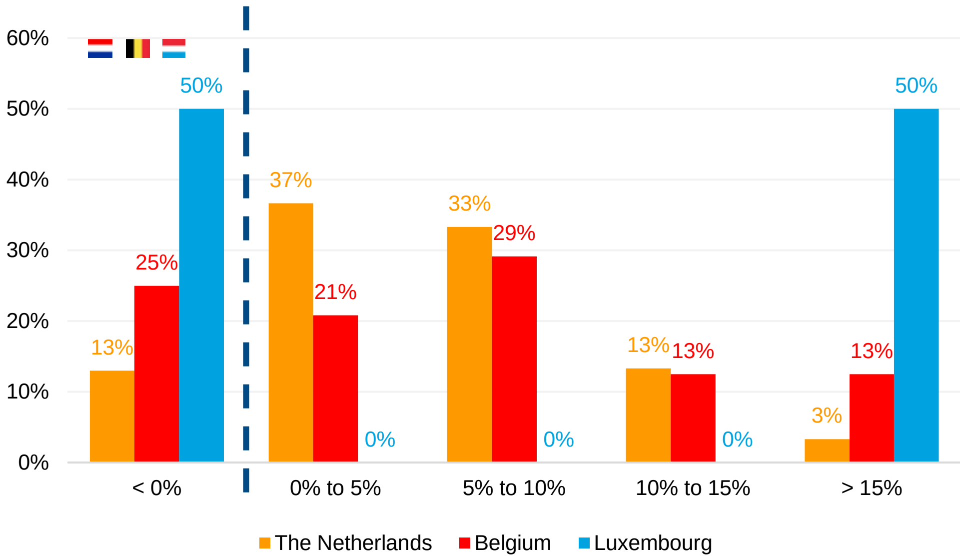
The analysis of profitability drivers for 2022, 2023, and 2024 reveals significant shifts in focus. Notably, the emphasis on cost savings as a driver of profitability is set to rise sharply, increasing from just 9% in 2023 to 20% in 2024, indicating a growing recognition of the need to manage costs effectively amid economic pressures. Meanwhile, the proportion of respondents acknowledging both cost savings and revenue growth as important remains stable, at 41% in both 2022 and 2024, suggesting a balanced approach. However, the focus on revenue growth peaked at 53% in 2023 but is expected to decline to 39% in 2024, reflecting a more cautious outlook as companies anticipate potential market challenges. Overall, this data suggests a strategic pivot towards prioritizing cost management while still pursuing revenue growth, underscoring a pragmatic approach to enhancing profitability in the coming year.

Profit Expectations by Size
What is your company's expected profit margin for this year?



Among large companies with revenues exceeding 500 million RMB, 29% expect a negative profit margin this year, reflecting a 26% increase compared to last year. At the same time, 54% of these companies anticipate profit margins above 5%. Companies with revenues between 100 million and 500 million RMB have the most favorable outlook, with just 9% expecting negative margins. Another significant decrease is in the smallest revenue group (up to 10 million RMB), where 22% expect losses, a notable 19% increase from the previous year. Additionally, 56% of these smaller companies project profit margins above 5%. For companies with revenues between 10 million and 100 million RMB, 59% expect profit margins over 5%. Overall, while large companies and smaller firms are experiencing increased expectations of negative margins, a majority across all company sizes still anticipate profit margins above 5%, indicating cautious optimism.

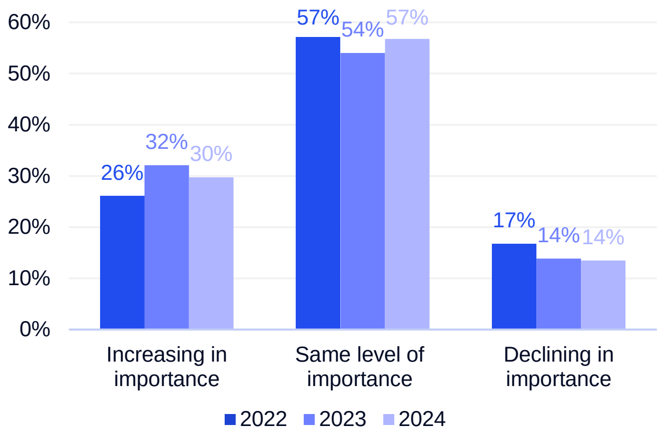
Profit Margin Expectations – by Country
What is your company's expected profit margin for this year?



Profit margin expectations for The Netherlands, Belgium, and Luxembourg reveal notable regional differences. In Luxembourg, 50% of respondents anticipate negative margins, while the other half expect growth above 15%. In Belgium, 25% foresee losses, compared to just 13% in The Netherlands. Dutch companies are more optimistic, with 37% expecting margins between 0% and 5% and 33% between 5% and 10%. Belgium shows a balanced outlook, with 21% predicting 0% to 5% margins and 29% expecting 5% to 10%. Luxembourg, however, stands out for its significant split, as 50% of companies either foresee negative margins or high profit margins above 15%, with no expectations in the moderate ranges. This suggests a more polarized outlook for profitability in Luxembourg, likely influenced by its smaller sample size.

Corporate strategy in China for next two years

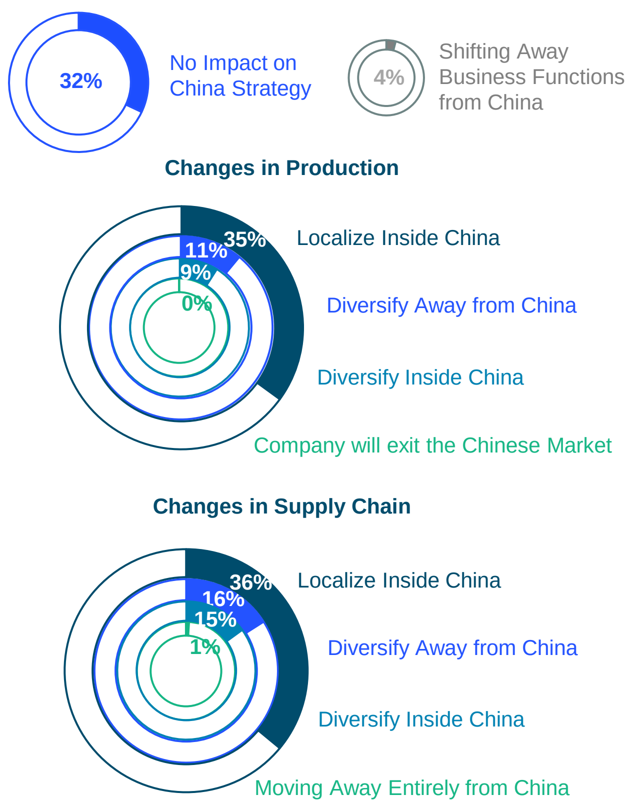
How important will China be in your group's strategy in the coming two years?



China has consistently been regarded as a key market for Benelux companies, and this trend is expected to continue. In 2023, 32% of Benelux companies saw the Chinese market as increasingly important, up from 26% in 2022, though this expectation slightly declined to 30% for 2024. Meanwhile, the majority of companies—57% in both 2022 and 2024, and 54% in 2023—expect China's importance to remain the same. Notably, the percentage of companies anticipating a decline in China's importance has remained stable at 14% for the past two years, down from 17% in 2022. This data reflects a steady recognition of China's significance for Benelux businesses, with a majority expecting continued stability in its importance over the coming years.

Adapting China strategy considering current climate

How is your firm adapting its China strategy considering the current business and geopolitical climate?



This year's survey underscores the strategies adopted by Benelux businesses operating in China in response to the evolving business and geopolitical landscape. The data shows a variety of approaches, with 32% of firms reporting no impact on their strategy, reflecting operational stability. Localization remains a key focus, with 35% of businesses localizing production within China and 36% focusing on localizing supply chains. Diversification is also significant, with 16% of companies diversifying supply chains outside of China and 15% diversifying within China. Additionally, 11% of businesses are shifting production away from China entirely, while 4% are partially diversifying by relocating certain business functions. Notably, no firms are planning to exit the Chinese market, although 1% are moving away from supply chains exclusively sourced from China. These findings highlight the diverse strategies Benelux businesses are implementing, with localization and diversification emerging as central themes in navigating China's complex business environment.

Note: Multiple factors per respondent could be selected.

Adapting China strategy considering current climate

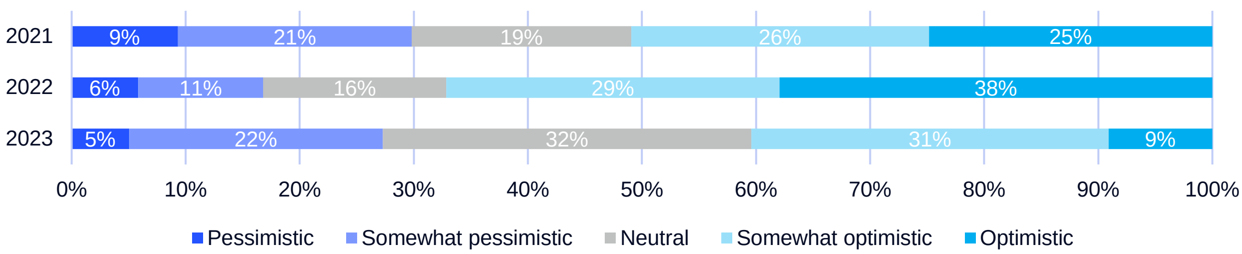
How is your firm adapting its China strategy considering the current business and geopolitical climate?

In response to the current business and geopolitical climate, firms are adjusting their China strategies based on a range of critical factors. The primary motivations include cost savings (44%) and proximity to key customers and suppliers (40%), emphasizing the importance of operational efficiency and strong local relationships. Additionally, 30% of businesses focus on increasing the resilience of their supply chains, reflecting the need for adaptability in an uncertain global market. Mitigating shifting attitudes toward China (24%) and responding to customer or government localization requests (22%) are also significant factors, indicating the growing influence of external pressures on corporate strategy. Meanwhile, geopolitical decoupling, perceived volatility in government policy, and compliance with new regulatory requirements each account for 16% of the motivations, underscoring the complex regulatory and political landscape in which these businesses operate. Overall, these findings illustrate the dynamic nature of the Chinese market and the proactive steps Benelux companies are taking to navigate this evolving environment by addressing both local and global challenges.

Note: Multiple factors per respondent could be selected.

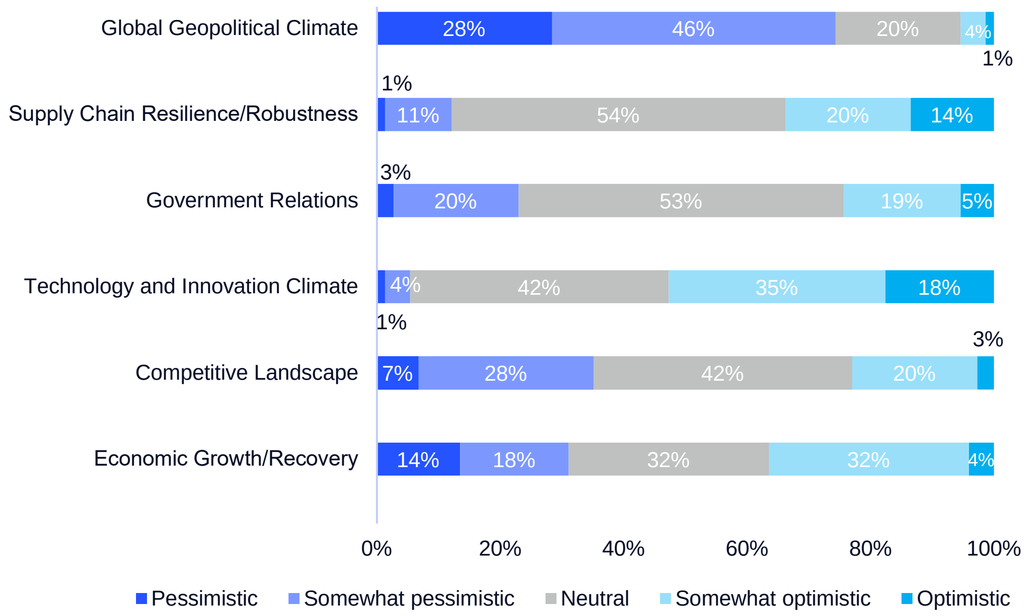
Company prospects in China for next five years

How do you feel about your company's prospects in China for the next 5 years?



The outlook for Benelux companies operating in China reflects an unsettling trend for the next five years. In 2023, only 40% of businesses reported feeling somewhat optimistic or optimistic about their prospects, a significant decline from the 67% recorded in 2022. At the same time, neutral perspectives have risen sharply, with 32% of respondents adopting a balanced view, up from just 16% the previous year. On the pessimistic front, while only 5% of companies expressed pessimism in 2023—a slight decrease from 6% in 2022 and 9% in 2021—this indicates ongoing unease rather than a strong recovery. These results underscore a more tempered and uncertain outlook, influenced by ongoing geopolitical and economic challenges.

Company prospects in China for next five years - by Business Aspects
How do you feel about your company's prospects in China for the next 5 years?



The 5-year outlook for key business aspects in China shows a mix of cautious optimism and concern. For Economic Growth/Recovery, most respondents are either neutral or somewhat optimistic (both at 32%), although 14% are pessimistic. The Competitive Landscape sees a majority remaining neutral (42%) but with 28% somewhat pessimistic, indicating concerns about rising competitive pressures, while optimism is low (3%). In Technology and Innovation, there is more optimism, with 35% somewhat optimistic and 18% optimistic, though 42% remain neutral. For Government Relations, neutrality dominates (53%), though some are somewhat pessimistic (20%), and only 5% are optimistic. In Supply Chain Resilience, 54% are neutral, while 34% show some level of optimism, with very few expressing pessimism. The Global Geopolitical Climate raises the most concern, with nearly half of respondents somewhat pessimistic (46%) and 28% pessimistic, reflecting widespread uncertainties in this area.

About - MSA Asia

MSA Asia is a financial advisory firm based in China which is part of the GGI Network. As a leading accounting and advisory network, we focus on SMEs with their business queries in China. We provide the support and guidance you need to tackle challenges, embrace new opportunities, and thrive in a growing economy.

We cater to foreign businesses in various industries, including agriculture, food & beverage, TMT (technology, media, telecommunications), manufacturing, professional services, and trading.

At MSA Asia, we are dedicated to bridging the gap between foreign businesses and their operations in China through our core values: Transparency, Compliance, and Sustainability. We are committed to helping our clients fully understand China's administrative and reporting requirements, ensuring they maintain complete control over their business operations.

MSA Asia's services include:

- Accounting & Tax Filing;
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- ERP Implementation;
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- HR & Payroll;
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About - Benelux Chamber of Commerce

The Benelux Chamber of Commerce is the Benelux business platform in China. Its members, leading companies from Belgium, the Netherlands and Luxembourg, share an active interest in developing trade and business in China. The Chamber of Commerce is officially recognised and supported by the Embassy of the Kingdom of Belgium, the Embassy of the Kingdom of the Netherlands and the Embassy of the Grand Duchy of Luxembourg in China.

Benelux Chamber has been growing at a steady pace since it was established in 2001. It currently contains 3 chapters; Beijing, Shanghai and Guangzhou (Pearl River Delta). It is the prime platform for the Benelux business community to get together.

The Benelux Chamber currently has over 350 members, aspiring to grow further every day. Its base consists of Large Enterprises, Small and Medium sized Enterprises (SMEs) as well as individuals with an active interest in developing their business in China. As an independent, non-profit organisation, the Benelux Chamber is managed by a full-time secretariat of both Benelux and Chinese staff. All practises are guided by an active Board of Directors. Benelux Chamber sustains itself through government subsidies, membership subscriptions, sponsorships and event fees.

On May 27, 2010, Benelux Chamber received the Accreditation Certificate from the BLCCA (Accreditation Programme for Belgian and Belgian-Luxembourg Chambers of Commerce Abroad).

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Jeroen
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Matthijs
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guidance and support by the Benelux Chamber

Are you interested in Chinese culture and language? Ready to boost your career? The Benelux Chamber of Commerce offers Benelux students an immersive China experience, including a 3-week language and culture course at East China Normal University in Shanghai, and a 3–5-month internship with member companies. **Enhance your academic and professional profile while gaining a competitive edge in the global job market.**

Connection

Benelux student connects with Intern2China. Benelux Chamber arranges interviews with companies in China and starts **the matchmaking process** between the student and the company.

Confirmation

Employer and student submit required documents to the Chamber. Chamber verifies documents and requirements. Student confirms the **University Fee and Internship Support Fee.**

Coordination

Benelux Chamber supports student in applying for the student/internship visa in Europe. **Intern arrives in China.**

Completion

Chamber welcomes student at airport and invite them to the "Benelux China Bootcamp Day" event,

Students are equipped with basic skills for life and work in China.

In collaboration with the official trade- and diplomatic representations of

Belgium, The Netherlands, and Luxembourg in China:

Consulate General of the Kingdom of Belgium in Shanghai

Kingdom of the Netherlands

GRAND DUCHY OF LUXEMBOURG
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